

Environmental and Social Review Summary (ESRS) Naturasol Expansion – MEXICO

Original language of the document: Spanish
Issuance date: July 2024

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

This transaction consists in a loan granted to Naturasol S.A. de C.V. and Miel Mex S.A. de C.V (Miel Mex, jointly the “Companies” or “Grupo Naturasol”) to finance fixed investments (a long-term loan) and working capital needs (a revolving loan), to expand and improve the Companies’ productive capacity in their operations (the “Project”).

The Project will involve: (i) building and operating¹ a new Distribution Center (DC) for finished goods; and (ii) acquiring the plot next to Naturasol’s existing production plant for its expansion, which will include putting up new production lines for processed foods (mainly corn and potato chips). These new production lines will help create new formal employment, and increase productivity and integrate agricultural micro-, small- and medium-sized enterprises (MSMEs) into their value chains.

This would become the third transaction involving IDB Invest and Grupo Naturasol. The first one happened in 2020 and the funds were used to finance raw material imports. The second one was committed in 2022, with funds to acquire the plot where the current DC, targeted by this transaction², is located, resulting in an Environmental and Social Action Plan (ESAP 2022) which, for the purpose of this ESRS, is currently in force and under ongoing development. The new financing facility will come to complement the second transaction by giving the Companies the economic resources they need for the future expansion plan.

The environmental and social due diligence (ESDD) included technical visits to the site³, interviews of and meetings with the Company’s managers and senior executives, as well as a desk review of environmental and social (E&S), occupational, health and safety (OHS) information provided by Naturasol, such as: (i) its business strategy; (ii) its E&S management policies and procedures; (iii) its work and OHS schedules; (iv) its human resources policy; (v) its procedures to manage suppliers; (vi) its solid (hazardous, non-hazardous and special-management) waste and effluents management processes; and (vii) its emergency plans.

2. Environmental and Social Classification, and Rationale

In compliance with IDB Invest’s Environmental and Social Sustainability Policy, the Project has been classified as of Category B, because it may generate the following potential E&S risks and impacts, among others: (i) increase in the workers’ health and safety risk; (ii) generation of noise and air pollution; (iii) generation of solid waste (hazardous, non-hazardous and special-management) and liquid waste (mainly

¹ Including such equipment as storage racks, electric forklifts, security and surveillance equipment, a firefighting system, computer systems, etc.

² The second transaction was meant for the construction, operation and maintenance of the new distribution center; however, due to unforeseen problems to get the state environmental permit and the municipal construction license, the works planning and execution were significantly delayed; therefore, the funds were only used to acquire the land.

³ The following Naturasol facilities were visited: the plant producing bars and snacks or seeds, and a distribution storehouse (rented), both located in Tepotzotlán, State of Mexico, Mexico.

industrial and domestic wastewater); and (iv) use of resources, mainly water and energy. These Project-related risks and impacts are deemed to be of medium-low intensity.

The Project triggers the following Performance Standards (PSs) 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.

3. Environmental and Social Context

3.1 General characteristics of the Project's site

Grupo Naturasol is a group of Mexican companies with over 45 years in the market developing, manufacturing and selling a wide variety of food products under their own brand or for third parties in the local and exports markets, including maple syrup and bee honey, spreads (marmalade; and caramel, hazelnut and peanut butters), cereal, seeds (almonds, hazelnuts, pecan nuts and pistachios), flavored peanuts, dehydrated fruit, edible bars, and potato and corn chips.

The group's plants are in industrial areas of Tepetzotlán, State of Mexico. Naturasol has two production plants (one for seeds, peanuts, potatoes, and corn products; another one for bars and spreads), whereas Miel Mex has one for processing and bottling honey and similar products; it also has storehouses for raw materials and finished goods. All existing facilities are leased.

The construction site where the new DC will be built is strategically located less than 400 m away from the seeds and bars production plant and the honey facilities. The expansion of the production plant requires the acquisition of the land next to Naturasol's existing plant, which is currently used for industrial purposes⁴. In both cases, before the new DC is built and Naturasol's plant is expanded, Grupo Naturasol will have the state impact assessments, the construction licenses and the initial reports or environmental impact statements (EISs), as required by the Municipality and the Environmental Office of the State of Mexico.

For the remaining facilities, the Companies have substantially and continuously fulfilled their obligations in terms of the applicable environmental and operations regulations, as well as the state and municipal permits. Also, all plants have food safety management certification FSSC 22000⁵.

3.2 Contextual risks

In the State of Mexico, 71.3% of the population over 18 years old considers insecurity as the most serious problem. Their perception of trust in law enforcement and judiciary authorities is under 50.5%⁶. In 2022⁷,

⁴ There are buildings, a staging area and a parking lot.

⁵ FSSC 22000 has been developed to certify the food safety systems of organizations processing or manufacturing products of animal origin, perishable vegetable products, long shelf-life products, other food ingredients such as additives, vitamins, and biological cultures, as well as materials for food packaging. (www.fssc.com/schemes/fssc-22000/).

⁶ National Victimization and Perception on Public Security Survey (ENVIPE, in Spanish) 2023; INEGI (www.inegi.org.mx/programas/envipe/2023/).

⁷ The benchmark periods of the information, are: January to December 2021, in the case of victimization; and March and April 2022, for the perception on public security and performance of the authorities.

(i) it is estimated that 39.8% of homes had at least one victim of crime; (ii) 36,583 crimes took place per 100,000 inhabitants, out of which 37.2% relates to robbery or theft in the street or on public transport, 31.7% to fraud and extortion, 22.5% to some form of robbery, theft and threats; and 8.7% to other crimes⁸ and injuries; and (iii) the consumption of drugs and alcohol, robbery, theft, shootings, sale of illegal drugs, gangs and violent gangs were the most frequent criminal activities.

Given all the above, theft or damage to property, and personal injuries are the main risks faced by both workers and the Project's physical facilities and assets. Additionally, the State of Mexico shows 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 the industry of food for human consumption.

The Project is also under natural threats, like earthquakes, storms, droughts and strong winds. Nevertheless, these represent a moderate to low risk for the damages they could cause on the physical infrastructure of the plants, warehouses and the new DC; as well, as on the personnel and suppliers.

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 Environmental and social management system

Grupo Naturasol has implemented an Integrated Management System (IMS) based on ISO 14001:2015 international standard across the Companies. Regardless, they will review the IMS periodically⁹ to strengthen or update its components as per the applicable E&S and OHS requirements.

4.1.b Policies

Grupo Naturasol has in place a comprehensive policy enforcing compliance with national and international legislation and standards on quality, safety, the environment, OHS and social responsibility. This policy states which staff member is responsible for guaranteeing its compliance internally, and how it's communicated to every level across the Companies, the contractors, the temporary workers and other stakeholders. It is also updated periodically.

4.1.c Identification of risk and impacts

4.1.c.i Direct and indirect impacts and risks

The Companies use a risk assessment 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 production, storage and logistics

⁸ Including crimes such as kidnappings or express kidnapping, sexual and other crimes.

⁹ Applying the Environmental and Social Management System, General Implementation Manual; IFC; version 2.1; November 2015; and the General Environmental and Social Management System Toolkit; IFC; version 1.2; November 2015.

processes and activities. This information helps define the operational controls or corrective actions, as well as the measurement and monitoring mechanisms (including performance indicators) required to manage each risk.

For the construction of the new DC, as part of the ESAP 2022, Grupo Naturasol's assessment matrix will include the relevant risks associated with climate change and the opportunities for adaptation, as well as those that may arise while under construction, and in decommissioning.

The Companies looks to minimize the environmental impact and prevent pollution by promoting good practices focused on correct waste management, decreased emissions, water and energy saving, and awareness among employees and suppliers about the optimal use of resources.

4.1.c.ii Analysis of alternatives

Since the Project will be carried out on land next to existing operations and in existing facilities located in an industrial estate, no alternatives other than space distribution and evaluation of several technology options based on their economy and efficiencies (in terms of electricity and accessibility), were considered.

4.1.c.iii Cumulative impact analysis

For the construction and operation of the new DC, the ESAP 2022 sets forth that Grupo Naturasol shall determine a baseline for the emissions and accidents caused by the increased road traffic derived from its operations, and shall report its measurements annually.

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

4.1.c.iv Gender risks

Even though in Mexico there are laws¹⁰ and agencies¹¹ fighting to protect women, in terms of gender violence and sexual crimes, the State of Mexico topped the list of the Mexican federated states with the highest rates of violence against women aged 15 and over throughout their lives (followed by Mexico City and Queretaro)¹². For the January-April 2024 period, the State of Mexico ranked first for alleged femicides nationwide and second for alleged family violence crimes¹³.

¹⁰ Federal Law to Prevent and Eradicate Discrimination; 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).

¹¹ 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.

¹² 2021 National Survey on Household Relationships (ENDIREH) www.inegi.org.mx/programas/endireh/2021/.

¹³ According to Mexico's Executive Secretariat of the National Public Security System, for January-April 2024 (www.gob.mx/sesnsp/articulos/informacion-sobre-violencia-contra-las-mujeres-incidencia-delictiva-y-llamadas-de-emergencia-9-1-1-febrero-2019?idiom=es).

Nevertheless, given the type of business and sector (human consumption food industry), together with the fact that the Project is located in industrial estates with perimeter security and surveillance, gender risk is estimated to be low and can be mitigated by applying the principles in the Code of Ethics and Conduct, and the equity and equality practices of the Companies. Moreover, Grupo Naturasol will prepare, as part of the ESAP 2022, a gender management plan to tighten the safety of and promote involvement and active participation of the women in the Group, the community, suppliers and other third parties; it will as well sign the declaration supporting the Women Empowerment Principle (WEP) and use the WEP gender equality measurement tool¹⁴ to assess its performance in this regard.

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. The Companies nurture non-discrimination and equal opportunity practices, while seeking and elevating human talent. In this sense, it is expected to generate equitable employment opportunities.

The Companies have 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 Code of Ethics and Conduct; and (v) compliance with local legislation and international practices related to non-discrimination and equal opportunity for its personnel regardless of their gender. Any behavior contrary to the guidelines in the Code of Ethics and Conduct is investigated and analyzed by the General Manager's Office, and it is subject to corrective and disciplinary measures, if applicable.

4.1.c.vi Climate change exposure

As a result of the physical climate risk assessment report, the Project has been classified as of low risk given its low sensitivity to the climate effects and the risks to which it is exposed.

In terms of natural disasters risks, the global climate model has indicated that the Project area exposure to volcanic and seismic threats is low. Nonetheless, these risks are expected to be considered in the measures proposed in its civil protection program (CPP), which is reviewed every four years.

Some risks could potentially be exacerbated by climate change: the levels of water stress are currently high in the Project area, with expected scarce water supply by the turn of the century. It is projected to remain high or to potentially worsen. In fact, even though the exposure to droughts is low, the climate change undergone in the 21st century has led to forecasting drought exposure to be high. However, given the fact that the increase in water utilization is not expected to be significant, the Project sensitivity to these climate risks is low.

The Project exposure to the transition risk is medium, based on the country and industry profiles. Even though the industry around distributing and retailing food and beverages is essential, the transition risk

¹⁴ The Women's Empowerment Principles Gender Gap Analysis Tool (WEP's Tool) is a business-driven tool designed to help companies around the world assess gender equality at the workplace, the market and the community.

exists due to greenhouse gases (GHG) emissions in the value chain. As a country, Mexico has already started implementing a carbon pricing system (emission trading system and carbon tax) which can impact the cost of using fossil fuels for the Companies in the mid-term. Several climate opportunities are available for the Project though; for example: (i) optimizing and decarbonizing their own transportation system for the distribution of food; (ii) working together with the supply chain on reducing the GHG emissions produced when getting products and raw materials; (iii) using nature-based solutions to reduce land vulnerability; (iv) reducing food waste; and (v) improving energy efficiency in general as well as in the operation of cooling systems in storehouses or warehouses (as applicable).

4.1.d Management program

The Companies have in place E&S and OHS management programs (with mitigation measures mainly), as well as emergency plans for 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-2010¹⁵, establishing fire procedures and equipment.

4.1.e Organizational capacity and competency

The Companies have an organizational structure engaged in E&S and OHS issues. They have a Comprehensive Management and Continuous Improvement Department, that, supported by the Health and Safety Coordinators from each plant, is responsible for: (i) monitoring compliance with environmental and OHS regulations; (ii) managing the OHS systems and the IMS; (iii) encouraging a sustainable, environmentally friendly business model; (iv) identifying opportunities to improve its energy performance; (v) preventing pollution; and (vi) advising the General Manager's Office during the implementation of sustainability and emergency procedures.

4.1.f Emergency preparedness and response

The Company has civil protection programs (CPPs) in place for each one of its plants and warehouses, which comply with the requirements of the internal civil protection program required by the Secretary of Labor and Social Security (STPS, in Spanish), and the federal and state civil protection legislation¹⁶. Each CPP establishes the mitigation and emergency preventive actions at a site to safeguard the physical integrity of workers, visitors, suppliers, other people or customers within the facilities, as well as to address a wide range of emergencies threatening property and uninterrupted production.

The Health and Safety Coordinators of each plant and warehouse 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.

¹⁵ Mexican Official Standard NOM-002-STPS-2010, establishing safety conditions: fire protection and prevention at the work sites.

¹⁶ Civil Protection Law and its administrative order; and Book Six of the Administrative Code of the State of Mexico and its Regulations.

Even though each plant has a CPP, Naturasol will update the CPP of its production plant, with the expansion and the installation of new production lines, so that it reflects the Project changes; it will include: (i) a risk assessment based on the new layout; (ii) sketches with the evacuation routes and the location of the safe meeting points and the firefighting equipment; (iii) the requirements for organizing the emergency response teams (in case they are expanded); and (iv) the requirements for organizing the Emergency Control Committee and the Internal Unit of Civil Protection (in case of modification). For the new DC, the 2022 ESAP establishes that Grupo Naturasol shall prepare a specific CPP in line with the federal and state civil protection legislation.

Grupo Naturasol has also developed a business continuity procedure in case of emergency, which, apart from natural and technological contingencies, also addresses political, IT and terror-related contingencies. This procedure is periodically updated and includes forms to improve emergency management, a drill schedule and the associated further assessment and reporting form. Collective response systems have been recently developed in case emergencies involve the companies nearby.

4.1.g Monitoring and evaluation

Some of Grupo Naturasol's goals include monitoring the compliance with all environmental legal provisions. It reports annually on the compliance with E&S and civil protection requirements every time the operation license is renewed and with social responsibility audits performed for external certifications under the Sedex Members Ethical Trade Audit (SMETA) scheme. Also, it has developed several internal procedures to monitor and review its performance; for instance, record and document generation and control, non-conformities, product recall/recovery, audits, traceability, review by the Management, food fraud, firefighting equipment check, etc.

Walmart audits Grupo Naturasol's supply chain every year with its own scheme based on ISO 28000 standard and the Customs Trade Partnership Against Terrorism (CTPAT) criteria. The Companies submit annual reports to their senior management with information about non-conformities and corrective actions, results of external audits, suppliers' performance, goal performance of the food safety system, training and ongoing improvement opportunities. They also report on key performance indicators, like accident-free days, the use of water and energy, wastewater effluents and air emissions monitoring, and staff retention and training.

Grupo Naturasol is also preparing a corporate environmental and social sustainability report based on the standards of the Global Reporting Initiative (GRI).

4.1.h Stakeholder engagement

In 2022, Grupo Naturasol updated its database of the stakeholders linked to its operations, including industrial estates nearby and the closest communities. The Head of Quality and the Health, Safety and Environment Coordinator take part in Tepetzotlán's municipal environmental fair and inform the participants of the Companies' E&S issues.

4.1.i External communication and grievance mechanism

4.1.i.i External communication

Grupo Naturasol has a communication model with guidelines and criteria to distribute official communications of common interest to internal and external stakeholder groups clearly and consistently. This procedure requires that all communications be analyzed depending on the related matter.

4.1.i.ii Community grievance mechanism

Grupo Naturasol has a procedure in place to manage grievances, with guidelines to guarantee that all grievances, reports or claims received are addressed and investigated timely, thus creating and keeping a suitable control environment based on its corporate values. 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 documentation).

Grievances can be filed in the following available ways: (i) in writing, via the website¹⁷, the dedicated e-mail (contacto@naturasol.com.mx) or by leaving the physical communication in person directly in the mailboxes at the Companies' facilities; or otherwise (ii) orally, on the phone or in person. 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 Companies' business management practices transparent, maintain an open and honest relationship, and promote values of integrity, honesty, transparency and respect.

4.1.j Ongoing reporting to affected communities

An overview of the Companies' mission, vision and values, as well as the related certifications they hold can be found on their website¹⁸.

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

Grupo Naturasol has in place several instruments to manage their human resources; for instance: (i) the Internal Labor Rulebook (ILR), in compliance with the provisions in Mexican Federal Labor Law¹⁹, with rules over: work days and places, payment days and places, days off, annual leave, the Company's and the workers' obligations, occupational health, prohibitions and disciplinary measures, and sanctions; and (ii) the Code of Ethics and Conduct, with the principles and rules for the engagement with customers, suppliers, agents and consultants; the engagement among workmates; employment opportunities;

¹⁷ www.naturasol.com.mx/contacto/ and www.naturasol.com.mx/acercamiento-naturasol/

¹⁸ www.naturasol.com.mx/

¹⁹ Latest amendment published in the Federation's Official Bulletin (DOF) on November 30, 2012.

acceptable behavior at work centers; the way invitations, presents and money gifts shall be addressed; environmental protection; honest behavior; asset and information protection; and conflicts of interest, etc.

The ILR includes the necessary provisions to guarantee compliance with the labor laws in force in Mexico, including the standards and principles of the International Labor Organization (ILO) and other organizations that establish labor rules, and sets conditions of fair treatment, work and suitable terms of employment, as well as layoff notification and severance payment. Additionally, the Code of Ethics and Conduct reinforces the principles of gender equality, non-discrimination and equal opportunities.

All aspects related to the work proper and working conditions are managed by the Human Resources Department.

4.2.a.ii Working conditions and terms of employment

The provisions in the Code of Ethics and Conduct, and the ILR meet both Mexican legislation and OHS standards, 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; the rights and obligations of the employer and the employees; 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, Grupo Naturasol trains its workers to observe the Code of Ethics and Conduct and report any real, potential or seemingly noncompliant situation.

The Companies recruit, select and hire talent, following transparent, confidential, objective, stringent processes that guarantee that the principles of equality and non-discrimination are respected. In addition, the personnel are selected and hired based on their skills, abilities, professional experience and how closely the candidates hold the Companies' values.

4.2.a.iii Workers' organizations

Upon committing to complying with the applicable local legislation, Grupo Naturasol 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 ILO²⁰. In its ILR, it also establishes the need to comply with the Federal Labor Act, as regards the obligations and prohibitions of employers concerning respect for union protection and non-interference in the establishment and functioning of unions.²¹ In this regard, some workers are part of the Federación de Trabajadores Asalariados y no Asalariados Sindicalismo Nuevo de México (Mexican federation of salaried and non-salaried workers, new unionism), without retaliation by the Companies.

²⁰ 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.

²¹ 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, Grupo Naturasol establishes, within its Code of Ethics and Conduct and the ILR, the respect for individual diversity and equity, equality and impartiality, looking for an inclusive, positive and social impact. In addition, these instruments state the Companies' zero tolerance in the event of discrimination, harassment or abuse at the workplace and they 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

Grupo Naturasol does not anticipate any retrenchment in the future. However, if this happened, the ILR establishes the need to meet the provisions in Federal Labor Law²², regarding the suspension and termination of work relations collectively.

4.2.a.vi Grievance mechanism

The means to submit reports or claims on any inappropriate or ethically questionable behavior or any noncompliance with the values and the Code of Ethics and Conduct is the Grievance System. This mechanism integrates different communication channels: direct reports or claims in writing to the next hierarchical level, to the Human Resources Department, the use of the grievance and suggestions box at each plant, or even anonymously by digital means, such as e-mail, website, or employee portal. The Code of Ethics and Conduct establishes that all reports are confidential and any retaliation against those reporting suspected violations or cooperating in the investigation of any suspicious act is prohibited.

The General Manager's Office must gather and respond to the grievances received weekly.

4.2.b Protecting the workforce

In compliance with all labor obligations in Mexico, Grupo Naturasol 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.

Likewise, the Code of Ethics and Conduct and the ILR state that the Company's employees, directors 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.

²² Sections 53 and 434.

4.2.c Occupational health and safety

Grupo Naturasol has implemented a Safety Policy in which it commits to carrying out its processes minimizing the risks that could cause damages, losses or accidents to its workers, facilities and the environment, and promoting safe practices and the conservation of the environment. In compliance with Federal Labor Law and the Federal OHS Rules, it has in place OHS Programs for each plant and facility. They include guidelines to (i) protect the physical integrity of workers; (ii) prevent injuries and damage to their health; (iii) avoid affecting the safety of the process by implementing and executing procedures related to industrial safety and sustainability in the EMS; and (iv) identify any dangers, evaluate risks and establish prevention, correction, control and transfer measures.

For all risk works as defined in the OHS assessments, the Companies have developed procedures for works in confined spaces, works at heights, hot works, leakage situations, works with pressure containers and electrical installations maintenance. Additionally, all contractors must show proof of expertise and work permits duly authorized by the Health, Safety and Environment Department.

As part of the OHS management preventive program, the Companies organize annual staff training plans, on such matters as: HACCP²³ principles, the SA8000²⁴ standard, chemical substances handling, food safety, PPE use, waste management and disposal, OHS aspects, etc.

4.2.d Provisions for people with disabilities

Grupo Naturasol does not discriminate against its workers based on their disabilities and it meets the regulations on the inclusion of people with disabilities²⁵.

4.2.e Workers engaged by third parties

In accordance with the Code of Ethics and Conduct, all of the Companies' work rules, policies and procedures are applicable to its personnel, customers, suppliers, contractors and other third parties equally. The Companies look after the integrity of employees hired by third parties working in their facilities, making sure they do not engage in any child labor or forced labor practices, they have suitable health and safety conditions and are considered in cases of emergencies.

4.2.f Supply chain

The Code of Ethics and Conduct urges the Companies 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 the Companies' ethical principles and values.

²³ Hazard Analysis and Critical Control Points system, adopted by the Codex Alimentarius Commission, which helps identify specific hazards and measures for their control to ensure the safety of food.

²⁴ SA8000 is a voluntary certification created by the American organization Social Accountability International (SAI) to encourage better working conditions.

²⁵ General Law for the Inclusion of People with Disabilities; as amended, published in the DOF on July 12, 2018.

All suppliers are selected following a process with stringent tax, anti-trust, professionalism and quality regulations. Nonetheless, the Companies have developed, among other things, procedures for suppliers search and selection, planning, purchase and replenishment, and movement of raw materials, packaging material, semi-finished and finished goods. They have also implemented a traceability procedure to identify and quantify the products anywhere along the process, thus guaranteeing quality and safety.

Under the ESAP 2022, Grupo Naturasol is currently assessing the risk of significant conversions of natural or critical habitats by the suppliers and updating its traceability procedure in order to identify the risks associated with its primary suppliers in the supply chain, as well as evaluating their exposure to those risks from the operational and reputational point of view so that it is possible to avoid choosing products or suppliers that may create risks to the biodiversity and/or labor risks (forced and child labor).

4.3 Resource efficiency and pollution prevention

4.3.a Resource efficiency

4.3.a.i Greenhouse gases

Given the magnitude of the construction works and how close they are to the new DC, the expansion of Naturasol's plant and the installation of the new production lines for the Project, greenhouse gases (GHG) emissions for the construction stage are expected to be lower than 25,000 tCO₂eq/year.

However, when the Project is operating, the Companies will prepare an annual GHG Emission Inventory for each plant, warehouse and the new DC, 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, materials and goods acquired from its supply chain—, using the methodology created by the Greenhouse Gas Protocol Initiative²⁶. The variation in the outcome as detected when compared to the baseline year (first full year of Project operations) will be as well informed annually, together with an explanation of the causes.

It is worth mentioning that the Companies are looking to diminish their emissions, by optimizing the spending on electric power and reducing the use of fuel in their vehicle fleet, used to transport raw materials and finished products (logistics efficiency).

4.3.a.ii Water consumption

The water used for drinking and for industrial use is supplied through the municipal public supply system or water tankers from an authorized supplier, in case of grid intermittence.

Even though no plant consumes high volumes of water (with an average demand of 3.81 m³/ton of end product), the Companies have implemented a water savings plan that seeks to assure responsible, sustainable consumption in their plants, warehouses and the new DC, with measures like: (i) replacing

²⁶ 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.

obsolete or faulted water storage or distribution devices with those with cutting-edge technology to reduce the consumption; (ii) implementing leakage detection programs; and (iii) organizing water consumption awareness campaigns.

4.3.a.iii Energy

The additional energy demanded for the construction of the DC, the expansion of Naturasol's plant and the installation of the new Project production lines will be supplied by the public grid of the Federal Electricity Commission (CFE, for its acronym in Spanish), under a service agreement with a qualified supplier. At the Project operation stage, the consumption of energy will grow and will be monitored and quantified in the Annual GHG Emissions List. The average energy consumption per ton of product manufactured in the seed plant is 30.01 KWh, whereas at the cereal plant is 16.25 KWh and in the honey facilities is 181.46 KWh.

As part of its environmental commitment, Grupo Naturasol has an energy savings plan which seeks sustainable energy (fuel and electric power) consumption in all facilities. In this sense, without altering the production volumes, each plant, warehouse and the new DC will seek to reduce electric consumption by (i) progressively installing LED lighting²⁷; (ii) installing and replacing equipment by other more consumption-efficient one; (iii) turning off any electric equipment not being used; (iv) installing automatic or semi-automatic controls for high-consumption equipment, such as presses; (v) performing preventive maintenance tasks on equipment to improve its performance; (vi) turning lights off at the premises; (vii) using natural light in as many areas as possible; and (viii) training workers on energy savings.

4.3.b Pollution prevention

4.3.b.i Emissions and air quality

The construction of the DC, the expansion of Naturasol plant and the installation of new production lines for the Project will generate some noise, vibrations and suspension particles (PM₁₀). However, the IMS establishes control and mitigation measures according to the characteristics of each construction activity.

The operation of the plant and the execution of Project processes will not generate significant polluting air emissions. Nonetheless, the Companies have an air emission reduction plan, which seeks to know, quantify, control and report the emissions generated by the production equipment. According to the emissions reports, the levels of CO comply with the national regulations²⁸.

4.3.b.ii Wastes

In compliance with Mexican environmental legislation, Grupo Naturasol reports on its special-management, non-hazardous solid waste according to the generation volumes (as the case may be). In this regard, the Companies have (i) the corresponding certificate as a small waste generator; (ii) the authorization to dispose of special-management wastes, and (iii) a specific handling plan, as per the

²⁷ LED stands for Light Emitting Diode.

²⁸ Mexican Official Standard NOM-085-SEMARNAT-2011, Air pollution; maximum permissible emission levels from combustion equipment of indirect heating and its measurements.

applicable regulations²⁹. The Project execution and implementation will not give rise to the amendment of the processes or procedures established by the Companies.

At present, the Companies separate, classify and store the solid wastes produced in its facilities and have an authorized third-party manager to collect, transport and manage non-hazardous solid wastes either for further assessment (recycling managers) or for disposal in an authorized landfill.

The Companies have 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 or special-management, as defined in environmental regulations³⁰. 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.

The Companies do not generate industrial wastewater. All their liquid effluents are considered domestic and are sent over to the municipal sewage system for further treatment. The Companies do not exceed the maximum permissible limits of pollutants in the wastewater discharges into the sewage systems, as required by national regulations³¹.

4.3.b.iii Hazardous materials management

Materials are used at the Companies' plants which, based on their characteristics, are deemed hazardous³² under Mexican regulations³³. In compliance with the environmental legislation and according to its category³⁴ and the procedure to manage and store hazardous chemical substances, the Companies keep a record of how much waste is generated, how it is stored and how hazardous waste generated during the operation and maintenance activities is managed; as well as how it is delivered to the certified companies for its management.

4.3.b.iv Management and use of pesticides

The Companies have designed an Integrated Pest Managing Procedure aligned with the requirements of the Mexican Department of Health, which includes the assignment of responsibilities, specific requirements for the service provider, specifications for chemical product management (they should be approved by Nestlé México and by the international certification standards Organic Crop Improvement

²⁹ Comprehensive Waste Prevention and Management Law, its regulations; and the environmental laws of the states where each facility is located, and their administrative orders.

³⁰ Comprehensive Waste Prevention and Management Law and Environmental Laws of the State of Nuevo León and its administrative order.

³¹ Mexican Official Standard NOM-002-SEMARNAT-1996, which sets the limits of pollutants in the wastewater discharges into the urban or municipal sewage systems.

³² For instance, cleaning rugs and objects polluted with solvents, oils and lubricants, used in the maintenance of equipment, car batteries or forklifts, etc.

³³ Mexican Official Standard NOM-052-SEMARNAT-2005, setting forth the characteristics, identification procedure, classification and hazardous waste lists.

³⁴ Section 42 of the regulations of the Comprehensive Waste Prevention and Management Law.

Association International – OCIA) and procedures to apply and manage hazardous wastes. The personnel are regularly trained on pest control and the use of pesticides in the facilities. The procedure involves restricting the use of pesticides classified as extremely dangerous (Ia) and highly dangerous (Ib) by the WHO in all plants.

4.4 Community health and safety

4.4.a Community health, safety and security

The Companies run the plants and warehouses with the best applicable environmental and OHS practices. The CPP of the new DC and the updated CPP of Naturasol’s plant will be prepared based on the new layout of the plant to include a specific section that analyzes ways to protect the communities (as the case may be) and facilities nearby. These programs include provisions to handle the participation of specialized staff in emergency response teams (search and rescue; first aid; firefighting; and communication), and to coordinate actions with the external authorities³⁵, when the leaks, spillages or fires exceed the limits of the Companies’ response.

The Project’s new operation expansion works will be designed and built by competent and well-known contractors having experience in building and operating these types of works, observing good international practices and applicable national and international construction and security guides, standards and codes.

4.4.a.i Infrastructure and equipment design and safety

The Companies sites have installed equipment for detecting and containing leaks and spillages, alarm and fire-fighting systems, and emergency communication systems in line with the national requirements³⁶.

However, in order to comply with national regulations for fire prevention and protection at the workplace³⁷, and for accessibility for disabled people, Naturasol will hire fire and fire safety (L&FS) professionals to certify the following after the expansion of Naturasol’s plant and the new DC are built but before the Project starts operating: (i) that all improvements to the plant were built according to approved L&FS designs; (ii) that all equipment was installed as per L&FS design; and (iii) that all L&FS equipment was tested following international standards.

Additionally, Grupo Naturasol has its own fleet of 66 trucks to transport raw materials towards the plant and to distribute products to its customers. Sometimes more units are needed, so the transportation service is outsourced. In this regard, the Companies developed and implemented a road traffic program for drivers according to the principles described in the World Bank’s General Guidelines³⁸.

³⁵ Persons or entities with technical and legal competence, such as: Protección Civil, SEMARNAT, PROFEPA, the Red Cross, the fire brigade, etc.

³⁶ Mexican official standard NOM-002-STPS-2010, Safety conditions – Fire protection and prevention at the work sites.

³⁷ Disabled People Inclusion Act (DOF, 07-12-2018) and the Accessibility Technical Standards Manual for Mexico City (2016).

³⁸ Environmental, Health and Safety Guidelines; Community Health and Safety Guidelines; Traffic or Road Safety Guidelines.

4.4.a.ii Hazardous materials management and safety

The use, storage and disposal of hazardous materials are managed according to the applicable regulations and preventively to avoid effects on the community.

4.4.a.iii Emergency preparedness and response

Grupo Naturasol has prepared mutual aid plans together with the neighboring companies in the industrial areas to give coordinated assistance with technical and human resources in case of a disaster or an emergency that exceeds the response capacity of the affected facilities, with the purpose of protecting the customers, the community in general and minimizing any adverse effect on the environment.

4.4.b Security personnel

The Companies have hired unarmed personnel for surveillance and security, as well as to control the access and exit in their facilities. To this end, it is guaranteed that all security personnel working at the facilities and plants have been satisfactorily trained on the obligations of the operations staff, in such matters 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 is expecting to acquire an adjacent plot to the existing Naturasol plant, which is currently used for industrial purposes. The acquisition will be formalized by means of a commercial agreement (purchase agreement³⁹) in the conditions agreed upon by both parties, which will be consistent with the civil and commercial legal regulations in Mexico. Thus, it does not involve any involuntary physical or economic displacement.

4.6 Biodiversity conservation and natural habitats

As the construction of the new DC will be carried out in a plot that has been previously intervened (leveled and compacted), with little vegetation, and of low ecological value (regenerative grazing land), and that Naturasol's plant will be expanded onto a brownfield, no significant impact is expected on the vegetation or alteration of the biodiversity.

4.7 Indigenous peoples

The Project will be carried out within areas of industrial or mixed use, already settled in the suburbs of the State of Mexico (Tepotzotlán). Therefore, the lands and resources of the indigenous peoples are not expected to suffer impacts of any kind.

³⁹ It is an agreement by means of which the seller agrees to transfer the ownership of an asset and the buyer agrees to pay a certain price in money for that asset.

4.8 Cultural heritage

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

5. Local Access of Project Documentation

Grupo Naturasol offers business information in the following website: <https://www.naturasol.com.mx/>.