

## Environmental and Social Review Summary (ESRS) ALEN – MEXICO

**Original language of the document:**

Spanish

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### 1. Transaction Summary

The transaction consists of a noncommitted revolving reverse factoring facility (the “Transaction”) to be provided by IDB Invest to ALEN del Norte, S.A. de C.V., and its incorporated subsidiaries in Mexico (“ALEN” or the “Company”). At its sole discretion, IDB Invest will be entitled to purchase or discount the credit rights held by suppliers payable by ALEN previously confirmed by the latter through an eligible electronic platform.

ALEN is a Mexican company engaged in manufacturing, packing, and selling liquid chemical products distributed in the household cleaning products market. Its supply chain in Mexico comprises 2,500 suppliers, mostly micro-, small- and medium-sized enterprises (MSMEs).

Through the Transaction, IDB Invest seeks to enable financing at competitive prices for ALEN’s suppliers in Mexico by discounting or monetizing their credit rights arising from the sale of goods and/or services to ALEN. The average expiry of the credit rights under the Transaction is expected to be 180 days. Reverse factoring solutions are aimed at enabling access to viable financing to suppliers, which are mostly MSMEs.

### 2. Scope of the Environmental and Social Review of IDB Invest

In reverse factoring transactions, IDB expects anchor companies to have management systems and processes to manage good environmental and social (E & E&S) performance among its suppliers. Therefore, IDB Invest’s review is focused on the anchor company’s management systems (in this case, ALEN) and in the acquisition practices applicable to the E&S actions in its supply chain.

The Transaction’s E&S assessment proposed consisted in a documentary review of the anchor company’s (ALEN) Environmental and Social Management System (ESMS) focusing on compliance with the following Performance Standards (PS): PS 1: Assessment and Management of E&S Risks and Impacts; PS 2: Labor and Working Conditions; and PS 3: Resource Efficiency and Pollution Prevention. In particular, IDB Invest’s due diligence covered reviewing the documentation obtained through the information available to the public, conference calls and communications with ALEN’s supply, sustainability, and quality teams, and reviewing the documentation provided by the Company. The documents reviewed included the Suppliers Code of Ethics (SCE), policies and acquisition procedures, the sustainability report, supplier audit reports, and supply contract specimens, among others.

### **3. Environmental and Social Classification and Rationale**

Under IDB Invest's Environmental and Social Sustainability Policy, the Transaction was classified under Category B since it could generate low- to medium-intensity risks and impacts, which are limited, reversible, and manageable by applying plans and procedures known in the sector.

The E&S impacts which are expected to occur in connection with ALEN's suppliers are those mainly related to the raw material (sodium hypochlorite) used to manufacture the products sold by the Company. The potential impacts relate to labor practices, including child labor, forced labor, occupational health and safety, salaries, overtime, the grievance mechanism, pollution prevention, hazardous materials management, and the use of energy and water.

### **4. Environmental and Social Risks**

#### **4.1 Assessment and Management of E&S Risks and Impacts**

Policies. ALEN's Safety, Health and Environmental Protection Policy reflects the Company's commitment to prevent, eliminate, and control environmental risks and those of its collaborators. Such policy is supplemented by the Suppliers Code of Ethics (SCE), which jointly covers environmental and social issues, such as non-discrimination, child labor prevention, environmental care, fair and safe working conditions for workers, rejection of harassment or abuse, and respect for the human rights.

The SCE is part of the supplier contracts and should be strictly complied with by ALEN's suppliers as well as by their subcontractors. Any violation of environmental laws or the SCE may be deemed to be a violation of the supplier contract and could cause the termination of the business relationship between ALEN and the supplier.

Identification of Risks and Impacts. E&S risks relate to the anchor company's (in this case, ALEN) commitment and ability to manage E&S risks, labor conditions, resource efficiency, and pollution prevention. Supplier risks relate to issues such as granting of environmental licensing, occupational health and safety, and waste management, among others.

Management Programs. ALEN has in place a procedure to assess the safety, health, and environmental legal compliance by its suppliers. The Company evaluates its suppliers when onboarded and periodically to assess whether they meet their obligations under the supplier contract and the SCE. Should any finding be detected, the Company develops a work plan to be followed by the related supplier. ALEN will develop and implement an E&S performance scoring methodology, including key performance indicators (KPI) to rate the overall E&S performance of its suppliers as part of its sustainable supply policy.

Organizational Capacity and Competency. ALEN has a Sustainability Committee made up of the heads of all the business areas. The Sustainability Committee meets on a bimonthly basis to follow up on the Company's performance and make decisions related to environmental, social, labor, occupational health and safety, and supply chain issues.

External Communications and Grievance Mechanisms. The affected communities wishing to submit grievances and claims may do so through the *Buzón de Transparencia* (Transparency Box), which admits contacts via a hotline, e-mail, in person, or through a form available on the website. The Transparency

Box is managed by an independent third-party, and the grievances and claims are managed confidentially and without retaliation. All the investigations are carried out by Internal Audit and Human Resources and supervised by the Audit Committee supported by the Ethics Committee.

Monitoring and Evaluation. After the implementation of the new E&S scoring methodology for suppliers, ALEN will review its effectiveness and will improve it as required jointly with IDB Invest.

Periodic Reporting to Affected Communities. Through its annual Management and Sustainability Report (MSR) available on its website, ALEN provides information on its labor benefits programs, waste management actions, resource efficiency initiatives, and social responsibility activities, among others.

#### **4.2 Labor and Working Conditions**

In general, Mexico's labor, and health and safety legislation adequately regulates labor conditions in terms of working hours, salaries, vacation, workers' compensation, employment and safe working conditions, among others. Under supplier contracts, ALEN should meet the SCE, which reflects PS 2 requirements on the labor and working conditions of supply chain workers.

#### **4.3 Resource Efficiency and Pollution Prevention**

ALEN's operations were granted a clean industry certification, a voluntary audit program assessing a company's processes regarding the management of pollution and environmental risk, and its compliance with applicable regulations, international standards, and operations and engineering good practices.

As part of its sustainability program, ALEN has implemented several programs focused on reducing its carbon footprint. Under the Comprehensive Water Saving Program, apart from reducing water consumption, the Company develops projects to recycle the resource during its operations, return it to other processes and treat it at the end of the productive cycle. Since 2019, ALEN has implemented clean energy use in its manufacturing plants; such energy is obtained from an efficient cogeneration process covering 85% of consumption.

ALEN is also committed to reducing waste generation in its supply processes, investing in new technologies to reduce or eliminate shortages at production, and promoting the recycling of raw materials, such as plastic and cardboard, used to manufacture PET containers and boxes. To date, 100% of ALEN's PET container and cardboard boxes are made from recycled materials.

### **5. Proposed Action Measures.**

Under IDB Invest's Sustainability Policy, ALEN will manage the E&S risks related to its supply chain with procedures to ensure that the Transaction end beneficiaries (i.e., suppliers) are in compliance with local E&S legislation, and IDB Invest's Exclusion List.

## 6. Environmental and Social Action Plan

No.	Reference	Action Item	Product/Deliverable	Completion Date
<b>PS 1: Assessment and Management of E&amp;S Risks and Impacts</b>				
1.1	Management Programs	1. Develop and implement an E&S performance scoring methodology, including key performance indicators (KPI) to rate the overall E&S performance of its suppliers as part of its sustainable supply policy.  2. Implement the new E&S performance scoring methodology.	1. Scoring methodology  2. Implementation evidence	1. 30 days after signing the Transaction contract  2. 60 days after signing the Transaction contract
1.2	Monitoring and Evaluation	1. Review the effectiveness of the E&S management system in the supply chain.	1. Periodic reports	1. Annually as part of IDB Invest's annual report

## 7. Additional Information

For questions about this Transaction, contact ALEN del Norte, S.A. de C.V.:

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For questions and comments to IDB Invest, contact:

Name: IDB Invest Communications Group  
 Email: [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org)

In addition, as a last resource, affected communities have access to the Independent Consultation and Investigation Mechanism of IDB Invest as follows:

Phone number: +1 (202) 623-3952  
 Fax: +1 (202) 312-4057  
 Address: 1300 New York Ave. NW  
 Washington, DC. USA. 20577  
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