

## Environmental and Social Review Summary (ESRS) SESAJAL - MEXICO

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

The Transaction consists in a senior unsecured loan to Sesajal S.A. de C.V. (“SESAJAL” or the “Company”) and its relevant subsidiaries (jointly with SESAJAL, the “Borrower”). The funds will be used to finance the expansion of the capacity to produce avocado oil and other value-added goods as aligned with the Borrower’s strategy by building new plants within the existing facilities, both in Mexico and in other Latin American countries (Peru, Colombia, Dominican Republic, and Guatemala) as well as by investing in improvements to existing plants and in the renewable energy for Villa Avocado (the “Project”).

Given the restrictions imposed by the COVID-19<sup>1</sup> pandemic, the environmental and social due diligence (ESDD) was a mixed process involving in-person visits to the facilities in Villa Avocado, storage facilities in Periban and the processing plant in Proval, all in Michoacan, Mexico and Plant 1 (P1), Plant 2 (P2) and Plant III (PIOSA) in Jalisco, Mexico, as well as online meetings with the staff from the Human Resources, occupational and industrial safety, sustainability, procurement and operations areas associated to the Project. This process was completed with the review of the following information, for example: (i) environmental management policies, plans, manuals, and procedures; (ii) human resources (HR) policy; (iii) occupational health and safety (OHS) programs; (iv) hazardous, non-hazardous, and special-management waste management procedures; (v) procedure for monitoring and reviewing the environmental conditions (for example, air emissions, noise and effluents); and (vi) emergency response plans.

### 2 Environmental and Social Categorization and Rationale

Under the Environmental and Social Sustainability Policy of IDB Invest, the transaction was categorized as category B since its environmental and social (E&S), and OHS impacts and risks are, in general, reversible and mitigable with the measures available using current technologies. They include: (i) OHS risks; (ii) 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 drinking water and energy. Most of these estimated impacts and risks are moderate to low.

The locations where the Project will be developed are under natural threats, such as extreme temperatures, hurricanes, hailstorms, frost, and snow; as well as social threats, which include vandalism and demonstrations or protests. However, they all represent a moderate to low risk for the damages they may cause to the physical infrastructure of the plants, personnel, and suppliers.

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<sup>1</sup> COVID-19 is the infectious disease caused by the coronavirus discovered in Wuhan, China, in December 2019 (<https://www.who.int/emergencies/diseases/novel-coronavirus-2019>)

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.

### 3 Environmental and Social Context

SESAJAL, a Mexican company founded in 1989 and present in over 30 countries, develops, produces and sells high value-added food products, such as: (i) vegetable oils, mainly from avocado and other oilseeds, like sesame, peanut, olive, etc.; (ii) grains and seeds, like sesame, chia, peanut, chickpeas, etc.; (iii) flours and vegetable powders; (iv) prepared foods, like cooked products, tahini, peanut butter, and dried and dehydrated fruits; and (v) pet food, among other diversified businesses.

The Company operates from five production plants in Mexico<sup>2</sup>, located in states of Jalisco, Morelia and Sinaloa, as well as other three production plants in California and Pennsylvania in the United States. Additionally, SESAJAL has distribution centers (DC) in Mexico, the US and Europe (two in each region), as well as offices in all regions where it operates.

The Company's sites in Mexico are certified or in the process of being certified to SO 22000<sup>3</sup>, ISO 9001:2015<sup>4</sup> and C-TPAT<sup>5</sup>. Moreover, in 2021 a SMETA<sup>6</sup> audit was performed on the staff at Plant 1, Plant 2 and Villa Avocado.

The Company has substantially and steadily obtained the single environmental licenses (*Licencias Ambientales Únicas [LAU]*), the operation licenses (*Licencias de Funcionamiento [LAF]*) and the federal, state and municipal permits; submitted the reports to renew the annual operation documents (*Cédulas de Operación Anual [COA]*); and complied with the water supply agreements and permits to discharge from the Comisión Nacional del Agua (CONAGUA) or municipal authority; as well as the registration as generator of special management waste and hazardous waste (as applicable), and the waste management plans for each facility (as applicable).

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<sup>2</sup> Sesajal Plant 1 and Plant 2, Villa Avocado, Pastas e Insumos de Occidente (PIOSA) and Proval Morelia.

<sup>3</sup> ISO 22000 relates to the certification on the food safety management system to guarantee food safety along the supply chain. In Mexico, this ISO is equal to Mexican Standard NMX-F- CC-22000-NORMEX-IMNC-2019.

<sup>4</sup> ISO:9001 refers to the certification of a quality management system. In Mexico, this ISO is equal to Mexican Standard NMX-SAA-9001-IMNC-2015.

<sup>5</sup> C-TPAT (Customs-Trade Partnership Against Terrorism) is an initiative led by the US administration and the private sector to protect the different areas of the supply chain against terrorism and guarantee its security.

<sup>6</sup> SMETA (Sedex Members Ethical Trade Audit) is an ethical audit methodology with good practices, which helps companies to assess their sites and suppliers to understand the working conditions within their supply chain.

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

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

#### 4.1.a Social and Environmental Management System

Based on SESAJAL's Integrated Management System Policy, the Company is developing an Integrated Management System (IMS) that will include: (i) the social responsibility policy; (ii) internal procedures to identify, assess, and manage any possible environmental, social and OHS risks and impacts associated with each Project activity, both for their own workers and those engaged by third parties (contractors and subcontractors); (iii) internal procedures to ensure compliance with the Environmental Management Plan (EMP); (iv) the necessary organizational capacity and competency, including the definition of roles and allocation of responsibilities to implement the IMS; (v) emergency preparedness and response protocols; (vi) stakeholder engagement plans; (vii) external communication and grievance mechanism; (viii) protocols for the disclosure of information, decision making and education of communities; (ix) protocols for the evaluation and ongoing improvement of the IMS; and (xi) frequent audits and reviews of E&S and OHS requirements under Mexican environmental regulations.

Once adopted, the IMS will be periodically reviewed<sup>7</sup> to enhance or update its components on the basis of the applicable E&S and OHS requirements.

#### 4.1.b Policies

SESAJAL has an IMS Policy in place, where it commits to: (i) guaranteeing the safety of its products all along the supply chain; (ii) complying with all regulatory requirements; (iii) keeping all staff safe; (iv) promoting respect for human rights; (v) keeping suitable working conditions; (vi) diminishing the negative environmental impact and contributing to climate change mitigation; (vii) strengthening the safety of the supply chain; (viii) preserving information confidentiality, integrity and availability; (ix) supporting the development and maintenance of the management systems; and (x) offering products in compliance with quality and safety standards and the gluten-free certification program.

Moreover, the Company has a Social Responsibility Policy, focused on sustainable development and considering 10 general social responsibility principles, which are related to: (i) human rights, (ii) working and OHS conditions; and (iii) environmental issues.

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

##### 4.1.c.i Direct and indirect impacts and risks

As part of the IMS, SESAJAL has a procedure to identify environmental and hazardous aspects in which, based on the regulations and norms that apply to the processes and activities of each plant, the risks and significant impacts on the quality of the products, the environment and the safety and health of the workers and the affected communities are evaluated, to determine the operational controls or corrective actions, and the measurement and monitoring mechanisms, including the definition of indicators.

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<sup>7</sup> 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.

In response to these impacts, the Company promotes good practices focused on proper waste management, decreased emissions, water and energy saving, and awareness among collaborators and suppliers about the use of resources to help minimize the environmental impact and prevent pollution.

#### 4.1.c.ii Gender Risk

Even though Mexico has laws<sup>8</sup> and institutions<sup>9</sup> that seek to protect women, the State of Jalisco, was ranked the third highest Mexican federal entity in terms of gender violence and sexual crime<sup>10</sup>. By 2021, Jalisco had recorded 57 alleged femicides, the third highest nationwide, and 125.2 domestic violence crimes per 100,000 inhabitants, the 22nd highest across the country<sup>11</sup>. According to the Centro de Justicia y Empoderamiento para las Mujeres (CJEM), the figures worsened in 2020 and 2021 due the effects of the COVID-19 pandemic.

Nevertheless, given the type of activity and business (food industry), together with the fact that the Project sites are located in urban areas, gender risk is estimated to be low and can be mitigated by applying the principles in the Code of Ethics and the equity and equality practices of the Company.

#### 4.1.c.iii Exposure to Climate Change

In general, the Project infrastructure is moderately exposed to the physical risks and hazards derived from climate change: (i) based on a global climate model, it is highly exposed to draughts and moderately exposed to changes in the rainfall patterns and earthquakes; and (ii) it is highly exposed to draughts, which may increase moderately in an RCP 8,512<sup>12</sup> climate change scenario.

However, climate change exposure risk is expected to be handled with the measures proposed in the Emergency Management Plan, which is annually reviewed.

#### 4.1.d Management Program

For its existing operations, SESAJAL has suitable mitigation and management measures as described in the operating processes and in the waste management and OHS plans. Nonetheless, for the construction and improvements to the Project plants, the Company will prepare a specific Environmental Management Plan (EMP), with detailed operating controls and measures needed to eliminate, transfer or mitigate each significant risk or impact that has been detected. Some of the operational controls are as follows: (i)

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<sup>8</sup> 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).

<sup>9</sup> 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.

<sup>10</sup> 2016 National Survey on Household Relationships (ENDIREH).

<sup>11</sup> According to the Executive Department of the National Public Safety System for 2021.

<sup>12</sup> 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 the GHG issued in the coming years. RCPs, originally RCP 2.6, RCP 4.5, RCP 6 and RCP 8.5, are labelled based on a potential range of radiative forcing values in the year 2100 (2.6, 4.5, 6 and 8.5 W/m<sup>2</sup>, respectively).

preventive controls, focused on eliminating or reducing the frequency, probability and severity of the negative impacts or risks, supported by preventive and predictive maintenance programs for equipment and machinery, as well as by ongoing training programs for employees and drill programs; and (ii) technical and operating recommendations, which are based on the national OHS and environmental regulations.

#### 4.1.e Organizational Capacity and Competency

SESAJAL has an organizational structure specifically dedicated to E&S and OHS aspects. The Company has a Sustainability Department with a Sustainability Coordinator and other staff responsible for the environmental and social responsibility areas. This department looks out to comply with environmental regulations and encourage a sustainable business model that is environmentally friendly and committed to preventing pollution.

For OHS matters, the Company has in place a Labor and Industrial Safety Manager as well as a Head of Industrial Safety, who is assisted by a Safety Coordinator at each plant; they enforce the protection, health and safety procedures among all workers and outsourced personnel (contractors, subcontractors, suppliers, visitors, etc.), in compliance with the applicable health and safety laws and regulations, and its own policies.

#### 4.1.f Emergency Preparedness and Response

The Company has emergency response plans (ERPs) in place for the Project sites, which comply with the requirements of the civil protection program of the Secretary of Labor and Social Welfare ("STPS", for its acronym in Spanish), and the federal and local civil protection legislation<sup>13</sup>. These instruments establish the mitigation and assistance preventive actions to protect the physical integrity of workers, visitors, suppliers, or customers in the work sites; have measures to face the most probable risk scenarios threatening property and production continuity; and establish communication and coordination mechanisms with the community, to handle emergency situations that may materialize in the Company.

However, given the construction and improvement works to be carried out in the Project sites, SESAJAL will update the ERPs in terms of the suitability and effectiveness of the following: (i) response procedures in emergency situations; (ii) emergency response brigades; (iii) emergency contacts and communication systems and protocols; (iv) procedures to engage with the local and regional authorities for health and emergency issues; (v) permanent emergency equipment and facilities (first aid stations, hoses, extinguishers, sprinkler systems, etc.); (vi) evacuation routes and meeting points; (vii) training exercises and drills including other external stakeholders (for example, neighboring communities and facilities, among others.); (viii) annual training program; (ix) root cause analysis procedure for any major accident or fatality; and (x) description of the corrective actions required to minimize the risk of new occurrences.

The General Emergency Coordinator or Incident Commander is, together with the Head of the Civil Protection Internal Unit (UIPC) and the heads of the brigades, in charge of establishing the annual training program for the emergency brigades, performing drills in compliance with the applicable Mexican

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<sup>13</sup> General Civil Protection Law (*Ley General de Protección Civil*) and its Administrative Order and Law No. 282 on Civil Protection (*Ley de Protección Civil*) of the State of Jalisco and its Administrative Order.

regulations in different scenarios (drills evaluation) and including topics related to the ERPs implementation and monitoring.

#### 4.1.g Monitoring and Evaluation

One of SESAJAL's goals is to comply with all the environmental regulations required by the national legislation. In this regard, in the IMS and as a way of preventing sanctions, the Company has arranged for environmental audits to check that the applicable legal requirements are complied with at each plant and, if a non-conformity is detected, the Company will embrace corrective or preventive and monitoring actions until they are remediated within the established time.

SESAJAL will prepare a consolidated annual sustainability report on the status of compliance with all the E&S and OHS policies and measures applicable to the Project, including the progress of the IMS actions regarding the KPIs established, as well as the status of compliance with IDB Invest's Environmental and Social Sustainability Policy. Through these internal or external audits, the Company will define specific measures to reduce impacts and improve efficiency, and document and report progress and new procedures, and other certifications, as applicable.

#### 4.1.h Stakeholder Engagement

SESAJAL will develop and adopt a Stakeholder Management Plan for each Project plant, which will include the following: (i) updated identification of all stakeholders (local authorities and surrounding communities and neighbors located in a radius of 1 km from each site); (ii) differentiated measures to enable the effective engagement of disadvantaged or vulnerable groups (if any); (iii) a mechanism to ensure that representatives of the affected communities can express their views; (iv) details on how information is disclosed to stakeholders; (v) details on the stakeholder engagement process and how the grievance mechanism can be accessed; (vi) procedures to regularly report on the environmental and social performance of the Company to stakeholders and the general public; and (vii) mechanisms to implement and disclose the management plan to all its staff as part of the annual training plan.

This plan will identify the work team responsible for its implementation (for instance, the Social Responsibility Department and a team of social advocates) and define the protocols for the following activities: (i) interviews with the authorities and representatives of the stakeholders; (ii) briefings to stakeholders, and (iii) the media and social media management.

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

##### 4.1.i.i External Communication

SESAJAL will draft a Corporate Communication Policy, which shall ensure that all communications addressed to external audiences, including interest groups, is delivered in a careful, responsible, and efficient manner. This policy will determine the external official communication channels to be used (reports, websites, press releases, social networks, transparency mailboxes, contact centers, focus groups, social events, etc.) to reach the related stakeholders.

#### 4.1.i.ii Grievance Mechanism for Affected Communities

SESAJAL has a formal mechanism to receive grievances and suggestions from the public in general, in their web page<sup>14</sup>. However, the Company will improve on the existing system by developing and implementing a specific procedure to deal with and monitor the grievances and suggestions submitted by the community. Moreover, the Company: (i) will appoint a person to manage the relationships with the local community, who will deal with and monitor the grievances and suggestions, and will report on the KPI every six months; (ii) will set a methodology to determine how a grievance is captured, classified, assessed, investigated and solved; how it will be followed up once it is solved; and how the IMS will be adapted or improved in terms of communication and disclosure of Information; and (iii) will determine the channels to capture grievances and suggestions from people and organizations located nearby.

The communication channels that will guarantee anonymity and confidentiality will be: (i) written predefined forms that can be left in the mailboxes at the facilities; (ii) verbal communications through a dedicated phone line; and (iii) electronic communications through email or the Company's web site.

#### 4.1.j Ongoing Reporting to Affected Communities

In its website,<sup>15</sup> SESAJAL gives information about its global sustainability vision. Also, through its Stakeholder Engagement Management Plan it will furnish the communities and anyone who will require regular reports on its E&S performance.

## 4.2 Labor and Working Conditions

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

SESAJAL has 1,850 workers (about 36% of which are women) in Mexico; 18 managerial positions and 16 supervisory positions are taken by women.

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

Alongside its Social Responsibility Policy, SESAJAL has a Code of Ethics which sets forth the basic principles and conduct guidelines to be observed by workers, suppliers, customers and any other person it is related to. Some of the aspects considered in the Code of Ethics, are: (i) the general principles and values of the Company; (ii) respect for human rights and main principles at work; (iii) health and safety at work; (iv) harassment and violence; (v) diversity, inclusion and nondiscrimination; (vi) relationships with competitors, customers and suppliers; (vii) conflicts of interest; (viii) money laundering; (ix) bribes and corruption; (x) environmental responsibility; (xi) protection of assets and intellectual property; (xii) truthfulness of information; (xiii) compliance with national and local legislation; (xiv) respect for local traditions; (xv) relationships with communities, shareholders and partners; (xvi) participation in political and civic activities; and (xvii) details about how grievances are handled, about the Committee and the ethics or reporting hotline, and about the guarantee of non-retaliation, confidentiality and anonymity for those filing a claim.

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<sup>14</sup> <https://www.sesajal.com/es/contacto>

<sup>15</sup> <https://www.sesajal.com/es/nosotros>

Additionally, in compliance with the Federal Labor Law (FLL) in Mexico, the Company has an internal labor rulebook (ILR) with the rules and conditions related to: the nature of the work; onboarding, suspension and dismissal of workers; working hours, breaks and holidays; punctuality, leaves and absences; salary; supplies, tools, materials and equipment; training; safety, health and environmental measures; professional risks; the Company's obligations and prohibitions; workers' rights and obligations; workers' prohibitions; punctuality, attendance and leave noncompliance; sanctions; and, in general, compliance with federal and state labor laws, including regulations and principles as established by the International Labour Organization (ILO). In support of the FLL and the ILR, the Company has an Integral Support Matrix (MATRIN, for its acronym in Spanish), a set of rules of conduct aimed at achieving excellence in operations and attention to SESAJAL's values, which must be complied with by all workers, suppliers, customers, and contractors.

SESAJAL's Code of Ethics is supplemented by a Code of Ethics disclosure policy, a psychosocial risk prevention policy,<sup>16</sup> a conflict-of-interest policy, and an inclusion, diversity, and nondiscrimination policy.

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

The provisions in the Code of Ethics and the ILR dictate the way and conditions for staff selection and hiring; working days, hours, and breaks; vacation; leaves; flexible work schemes to promote collaboration and productivity; wages and benefits; employer and employee rights and obligations; behavior and disciplinary measures; asset security; risk prevention; and workers with disabilities, among other aspects.

In order to reinforce the people's knowledge of the working conditions, the Company demands that each worker promise to observe the Code of Ethics and report any real, potential, or seemingly or substantially noncompliant situation.

SESAJAL recruits, selects, and hires talent following its Talent Attraction Policy, with transparent, confidential, objective, stringent processes that guarantee that the principles of equality and nondiscrimination are respected. Moreover, in line with the Code of Ethics and this policy, the Company declares that the selection, onboarding, compensation, evaluation, or promotion of employees is based on the competencies, academic education, professional track record, performance, behavior, attitude, and level of identification the candidates show with the Company's values.

#### 4.2.a.iii Worker Organizations

By pledging to comply with the local applicable legislation, SESAJAL acknowledges the workers' rights to associate in workers' organizations and to be part of them, respecting and accepting all the responsibilities derived from the related laws, including the international treaties and conventions the countries have signed with the ILO<sup>17</sup>.

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<sup>16</sup> NOM-035-STPS-2018 to identify, analyze and prevent psychosocial risk factors in companies.

<sup>17</sup> Convention 87 provides for the protection of the right to freely create and participate in trade unions; Convention 98 refers to the right to freedom of association and reaching collective bargaining agreements.



In compliance with Federal Labour Law, SESAJAL and the trade union Sindicato Nacional de Trabajadores de la Industrialización y Selección de Oleaginosas y Similares (national union of oilseeds industrialization and selection workers) from Guadalajara, Jalisco, have entered into a collective bargaining agreement.

#### 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 and with Federal Labor Law and its regulations, the Company establishes, within the Code of Ethics and its diversity, inclusion and non-discrimination policy, respect for equality and individual diversity by acting justly, equitably, and impartially and looking for inclusive, positive social impact. In addition, the Code of Ethics makes it clear there should be zero tolerance for psychosocial risks and actions of discrimination, bullying, abuse and work harassment, and reaffirms the Company's commitment to promoting an environment in which no applicant, employee, supplier or service provider feels excluded or discriminated against in the internal or external recruitment process based race, color, age, gender, gender identity, sexual orientation, marital status, ancestry, ethnicity or nationality, religion, disability or medical condition (including COVID-19) or any other discriminatory situation.

#### 4.2.a.v Grievance Mechanism

The ethics hotline (reporting line "Sé ético"<sup>18</sup>) is the channel to submit grievances or reports of any inappropriate behavior, ethically questionable actions, and incompliances with the applicable laws and regulations, SESAJAL'S policies and Code of Ethics. This instrument gathers several ways of capturing grievances, from a direct report before their immediate superior (manager) or the Legal or Human Capital Departments to an indirect or anonymous contact via any of the permanently available digital options (web page of the reporting channel<sup>19</sup>, email or dedicated telephone line). The Code of Ethics and the Grievances and Report Investigation Procedures of the Ethics Committee set forth the conditions to treat grievances confidentially and anonymously and prohibits any form of retaliation against those who report suspicions of violations or help in the investigation of any suspicious act.

The reporting hotline is impartially and independently managed by a third party, who receives reports on alleged violations and grievances, records the case, compiles all the necessary information, and gives the process a unique follow-up code so that the person who reported it can check the case progress and can contribute new evidence, if need be. Once the report is received, the Ethics Committee coordinates all investigative procedures. All the reports on alleged violations and grievances are communicated to the Ethics Committee, which, among other things, analyzes the situations involving possible improper behavior and, once all the investigative procedures have been completed, assesses the case, and determines, helped by the Internal Audit Department, all the applicable disciplinary measures, notwithstanding resorting to any criminal, civil or administrative legal actions, depending on the case.

Also, the Code of Ethics and Grievances Procedure, which are applicable to all staff working for or on behalf of the Company, states that SESAJAL is obliged to respond if any investigation is initiated by the

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<sup>18</sup> Se Ético is the channel to report unethical behaviors in a confidential, safe, easy manner and anonymously if the person so chooses. The system is managed by EthicsGlobal, an expert third-party specialized in grievance and report management.

<sup>19</sup> <https://se-etico.ethicsglobal.com/>

relevant authorities and to disclose information, evidence or even the identity of the reporting employee as long as the law requires it to do so.

#### 4.2.b Protecting the Workforce

SESAJAL, in observance of the labor legislation applicable in Mexico, respects the rights and duties of employers and employees, and promotes equality and equity in the enjoyment of human, civil, political, economic, social, and cultural rights between women and men.

The Code of Ethics 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.

#### 4.2.c Occupational Health and Safety

SESAJAL, in compliance with Federal Labor Law and the Federal Occupational Health and Safety Regulations, has an OHS Program (serving as an accident prevention program) containing the guidelines and actions to safeguard the physical integrity of its employees and to prevent health damage and injuries by implementing and executing the emergency response plans making up the IMS. Additionally, based on OHS regulations<sup>20</sup>, the Company has a Diagnosis of OHS for its plants, which evaluates the level of compliance with the applicable OHS regulations, and identifies hazardous or unsafe physical conditions, the players who are capable of changing the conditions at the work place, the hazards around the work site that may lead to workers' accidents and diseases.

Due to the pandemic caused by COVID-19, SESAJAL developed a mandatory Coronavirus-caused (COVID-19) Emergency Procedure to suitably and timely monitor any worker with COVID-19 symptoms in order to stop spreading the disease. Likewise, the Company prepared an Industrial Pre-hospital Care Protocol for patients with COVID-19, with recording, monitoring and process control guidelines for those responsible for responding to the sanitary emergency caused by COVID-19. This protocol has a Pandemic Management Policy, in which the Company takes on actions to prevent and mitigate the risk of spreading the disease in the workplace.

Also, in compliance with the guidelines and recommendations of the state and federal authorities (such as the STPS, the SSA [Ministry of Health], the Mexican Red Cross and the IMSS [Mexican Social Security Institute]), as well as the directives from the World Health Organization (WHO) and the Centers for Disease Control and Prevention<sup>21</sup> (CDC), the Company has promoted some preventive measures and actions to prevent the spread of COVID-19 among its workers. Some of these actions and measures are: reducing the number of people at each workspace; putting up sanitary fences; enforcing social distancing; suspending trips; implementing remote work; supporting vulnerable groups; and adopting sanitizing routines.

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<sup>20</sup> NOM-030-STPS-2009 on occupational health and safety preventive services - roles and activities.

<sup>21</sup> The Centers for Disease Control and Prevention (CDC) is the national public health agency of the United States, under the Department of Health and Human Services.

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

According to the Code of Ethics and the ILR, all the Company's business rules, policies and procedures apply to all suppliers, distributors, agents, contractors, and any other employee engaged by third parties working with or for the Company. Workers, both hired by the Company and by third parties, can remain as long as they respect the Code of Ethics and the local applicable labor laws and regulations. These measures are supported with contract clauses included in the collective bargaining agreements and service agreements.

#### 4.2.e Supply Chain

Through its Code of Ethics and Ethics Policy for Suppliers, SESAJAL promotes the respect for human rights in its own operations and all throughout its supply chain. In this regard, the Company enforces the compliance with the applicable legal labor regulations, including the prohibition of child labor<sup>22</sup> and forced labor<sup>23</sup>. Moreover, the Company also demands its suppliers to comply all environmental and occupational health and safety laws in the countries where they operate, and all its employees to know and comply with the Code of Ethics and the Ethics Policy for Suppliers.

Nevertheless, to work with the supply chain, SESAJAL will develop and implement a Sustainable Purchase Policy governing the acquisition of goods (materials, equipment, etc.) and hiring of services; such a policy will require its suppliers to meet the labor (specifically, prohibiting child and forced labor, refraining from using any product or service produced with child or forced labor in its business activity), OHS, and environmental standards of the countries where they operate. The policy shall identify the suppliers who do not comply with these regulations and will allow for the Company to impose, when necessary, sanctions that go from just a warning to the termination of their agreements.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

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

Given the scale of the expansion and construction works, and the fact that the construction sites and materials yards and storage areas will be near to one another (within a 2 km radius), greenhouse gases (GHG) emissions at the Project expansion and construction phase are expected to be under 25,000 tons of CO<sub>2</sub> equivalent per annum (tCO<sub>2</sub>eq/year).

However, during the Project's operation, SESAJAL will prepare an annual inventory of GHG for each operation in each different country; it will include both direct emissions from fuel consumption (Scope 1) and indirect ones from electricity consumption (Scope 2). The changes in the results regarding the base year (2021) will be reported on an annual basis and the causes for such variation will be explained.

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<sup>22</sup> ILO Convention 138 on minimum age and 182 on worst forms of child labor.

<sup>23</sup> ILO Convention 29 on forced labor and 105 on the abolition of forced labor.

It is worth mentioning that the Company is looking to reduce its emissions by optimizing the use of electrical power and lowering the use of fuel (natural gas or fuel oil used for process steam).

#### 4.3.a.ii Water Consumption

During the construction and improvement works, water consumption at the Project Sites will be kept at the estimated historical average values, according to the volumes authorized in the groundwater withdrawal concessions (water for industrial use) and the drinking water supply agreements (through the municipal public grid) granted by the relevant municipal authorities. For the O&M phase, the increase in water consumption will be caused by the new Project plants and activities and shall be fitted to the requirements in existing concessions, permits, and agreements, or else the latter shall be modified or updated as per new operating conditions.

The operation sites maintain water efficiency plans and, in some of them, they have closed loop systems to minimize water withdrawal.

#### 4.3.a.iii Energy

During the construction and expansion phase, the Project Sites are not expected to generate any significant increase over the historical energy average values. Energy is supplied from the public grid, under a service agreement with the authorized distributor and for emergencies due to power cuts in the grid, the Company has back-up generators. At the O&M phase, power consumption will increase due to works and the new Project activities; it will be monitored and quantified in the annual GHG emissions inventory.

As part of its sustainable approach, each Project plant and facility seeks to reduce the use of power without altering the production volumes at the plants, by: (i) progressively installing LEDs<sup>24</sup> luminaires; (ii) installing and replacing equipment with other more efficient options; (iii) turning off equipment when not in use; (iv) setting automatic or semi-automatic controls for high-consumption equipment; (v) carrying out preventive maintenance actions on the equipment for better performance; (vi) installing motion sensors and turning off the plant lights; (viii) using natural light in as many places as possible; (ix) executing waste heat recovery programs; and (x) training workers on energy saving.

#### 4.3.b Pollution Prevention

##### 4.3.b.i Wastes

In compliance with the environmental legislation, SESAJAL reports on its special-management, hazardous and non-hazardous solid waste as well as the wastewater discharges to the municipal sewage system. The Company separates, classifies and temporarily stores solid wastes produced in the facilities and hires an authorized third-party manager to collect, transport and manage non-hazardous wastes (domestic) either for further assessment (for recycling) or for final disposal in an authorized landfill, as per the applicable regulations<sup>25</sup>.

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<sup>24</sup> LED means Light Emitting Diode.

<sup>25</sup> Comprehensive Waste Prevention and Management Law and environmental laws for each State and their regulations.

The Company, as part of its sustainable approach, promotes the circular economy and has plans that include: (i) reduction at source through design for sustainability; (ii) inclusion of recycled raw materials in its products, specifically the drip lines and pipelines; (iii) recyclability of components; and (iv) implementation of recycling programs and end-of-life take-back.

In terms of liquid waste management, each Company plant has permits to connect to the municipal sewage system. Even though the service provider and operator<sup>26</sup> monitors the effluent discharges quarterly, SESAJAL's IMS requires assessing the Company's compliance with the legal requirements, monitoring the environmental controls, performing monthly inspections of the environmental parameters and verifying the Company respects the maximum wastewater discharge concentrations. A verification unit, which is duly authorized by the competent authority, performs the monitoring activities carried out by the Company.

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

Each Project plant, in compliance with the applicable environmental legislation<sup>27</sup>, reports on the generation, storage, handling and transportation of the hazardous waste generated, as well as the records of the companies handling it.

Each plant —if applicable— has a hazardous solid waste management plan, which sets the environmental KPI for waste generation, but also lists the activities, resources, people responsible, estimated completion date and status information for managing such hazardous waste. The plan includes guidelines to (i) identify, control, minimize, add value to and manage hazardous waste comprehensively; (ii) encourage a reduction-oriented mindset, by eliminating the use of this type of wastes or replacing them with non-hazardous ones; (iii) determine the measures for the internal collection and transportation to a temporary storage area for each type of hazardous waste, and (iv) safely store hazardous materials in line with the regulations, the products' safety data sheets, the official safety standards and procedures.

### 4.4 Community Health, Safety and Security

#### 4.4.a Community Health and Safety

The new facilities of the Project, both the new plants and the improvements to the existing ones, will be designed and built by competent and recognized contractors experienced in the construction and operation of this type of works using to such end international good practices and meeting the applicable Panamanian and international construction and safety guidelines, standards and codes. Nonetheless, in order to mitigate the damages that may be caused beyond its own property, SESAJAL will update the comprehensive construction and improvement service agreements to include specific clauses that require contractors and service providers to manage all claims and to take responsibility for any damage caused by their actions to private, community or state property.

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<sup>26</sup> For the Guadalajara metropolitan area, in the State of Jalisco, it is Intermunicipal Sewage and Drinking Water Services System (SIAPA); and for Morelia, in Michoacán, it is Sanitation, Sewage and Drinking Water Operator (OOAPAS).

<sup>27</sup> NOM-052-SEMARNAT-2005, NOM-004-SCT/2008, NOM-005-STPS-1998 and the regulation of the Comprehensive Waste Prevention and Management Law.

SESAJAL runs the Project Plants and facilities with the best applicable environmental and OHS practices. In the ERPs specifically prepared and updated for each new Project plant, the Company will have a specific section about the protection of communities, which will state that staff specialized in responding to emergencies (rescue, evacuation, and fire brigades) will coordinate with external authorities<sup>28</sup> actions in case of leaks, spills, fires or explosions that exceed the response capacity of the Company. Likewise, SESAJAL, in line with its Communication Procedure and through its Site, Operations, and Labor and Industrial Safety Managers, will explain to the communities the contents of the ERPs, including the potential risks at its sites, the response and fighting devices, the alarm and communication systems, the evacuation routes and the internal and external drill program.

SESAJAL has full business insurance and liability insurance, which cover any type of damage to the property, either real or personal, within its facilities, including third-party property in its custody and control. These policies also cover damages to adjoining property, environmental and social damage outside its facilities.

In its efforts to support local communities, SESAJAL is aware of the importance of developing the agricultural area in Mexico and has created programs to support over 10,000 rural families with training and technical support so that they can get more out of the oilseed's developments.

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

SESAJAL'S 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 requirements<sup>29</sup>.

However, as new plants will be built and the existing ones will be improved, in order to comply with national regulations for fire prevention and protection at the workplace<sup>29</sup> and for accessibility for disabled people<sup>30</sup> the Company will hire life and fire safety (L&FS) system professional to certify the following after the construction and improvement activities are completed but before the Project starts operating: (i) that all Project facilities and buildings, whether completed or in progress, 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.

#### 4.4.b Security Personnel

SESAJAL has its own property surveillance and security staff. However, the Company will guarantee that the selection and recruitment of this personnel includes: (i) a reasonable background check to make sure the security personnel has no criminal record or has not been previously involved in cases of abuse; (ii) confirmation that all security personnel working at its facilities and plants is registered with and certified by the competent authority<sup>31</sup> (iii) details for the training needed on the use of force; (iv) verification of the applicable restrictions and procedures in case the personnel carries firearms; and (v) elements of

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<sup>28</sup> Persons or entities with technical and legal competence, such as: Protección Civil, SEMARNAT, PROFEPA, the Red Cross, the fire brigade, etc.

<sup>29</sup> Mexican Official Standard NOM-002-STPS-2010, Safety Conditions – Fire Protection and Prevention at the Work Sites.

<sup>30</sup> Disabled People Inclusion Act (DOF, 07-12-2018) and the Accessibility Technical Standards Manual for Mexico City (2016)

<sup>31</sup> Dirección General de Seguridad Privada (general private security office), from the Secretaria de Gobernación (internal affairs office) of the State of Sonora.

environmental training and social awareness aspects, such as human rights, during the onboarding process and the subsequent refresher training sessions.

#### **4.5 Land Acquisition and Involuntary Resettlement**

The Project does not involve any new development or require the acquisition of land or property; therefore, no involuntary economic or physical displacement is expected.

#### **4.4 Biodiversity Conservation and Natural Habitats**

Given the fact that the Project is not expected to use new property or carry out new works or infrastructure outside the existing facilities, no significant impact on the vegetation or alteration of biodiversity is anticipated.

##### **4.4.a Supply Chain**

As to the purchase of raw materials within the supply chain, SESAJAL makes reasonable efforts to guarantee that they are responsibly sourced. However, in order to honor its commitment to controlling and influencing the social and environmental impacts of its suppliers, the Company will update its Supplier Selection and Assessment Procedure, in order to: (i) guarantee the traceability of its primary suppliers in case there is risk of significant conversions of natural or critical habitats; and (ii) provide a standard for the applicable requirements of property security, food safety, food defense, quality, environmental and workers' safety that the suppliers must meet when they are first registered and when they are assessed on their performance every year.

For supplier registration and subsequently to remain as an approved supplier, the Purchase Department asks suppliers of raw materials and ingredients for specific requirements ranging from food safety certifications, certificates of non-use of prohibited substances and/or those indicated by SESAJAL, certificates of origin and food allergen declaration. For suppliers of packaging materials, and product and package handling services, the requirements include mechanical blueprints, specifications and fact sheets for the material (composition and raw materials) and its strength, studies, tests and microbiological support, and food safety certificates from any standard recognized by the Global Initiative of Food Safety (GFSI).

#### **4.6 Indigenous Peoples**

Because the Project is based on already settled industrial areas, it does not involve developing any new property. Therefore, the lands and resources of the indigenous peoples are not expected to suffer impacts of any kind.

#### **4.5 Cultural Heritage**

The Project will not generate any impact on the cultural heritage.

## 5 Local Access of Project Documentation

SESAJAL offers additional information about sustainability and development in its blog at <https://www.sesajal.com/es/blog>.