

Environmental and Labor Issues: This is a category B project according to the IIC's Environmental and Social Sustainability Policy because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria. The main environmental and labor considerations related to the Project are: assessment and management of environmental and social risks and impacts; efficient resource management and pollution prevention; workplace and labor conditions; and social aspects. Assessment of the project's environmental and social aspects included the review of documentation provided by the company and a visit to Nixte's greenhouses and packing plant, located in the municipality of San José Iturbide, Guanajuato. The measures spelled out in this review will form part of the Environmental and Social Action Plan (ESAP) that Nixte will agree upon with the IIC and that the company will implement during the project with the IIC. Completion of the measures of the ESAP will ensure compliance with the IIC's environmental requirements as established in its Environmental and Social Sustainability Policy.

Assessment and Management of Environmental and Social Risks and Impacts: Greenhouse crop management and packing plant operations are carried out in compliance with Mexican laws and with international standards applicable to agricultural product exports to the United States. Nixte's operations are authorized by the Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria (national service for agri-food health, safety, and quality, SENASICA), which regulates and monitors all these matters in Mexico. The food safety program Nixte has implemented for its greenhouses and its pepper harvesting and packaging operations has been audited according to ISO standards and is certified under the PrimusGFS independent certification. The IIC will verify that Nixte's certifications remain valid throughout the life of the project. The good agricultural practices that Nixte follows include aspects of agrochemical handling and application, occupational health and safety, and provision of personal safety equipment to its workers. For pest control, the company makes sure to only use pesticides approved by Mexican regulations and authorized by the Environmental Protection Agency (EPA) of the United States. Nixte has a program for regulating the application of pesticides such that protection of crops from pests and disease is accomplished with the minimum amount of pesticide necessary. Nixte has established environmental policies. However, at this point the company lacks a well-defined and structured system for handling certain aspects of environmental management and occupational health and safety. Nixte will need to ensure management of these aspects during the project with the IIC. Nixte will therefore implement an Environmental and Social Management System (ESMS) that is in accordance with the nature and scale of its operations. The ESMS will incorporate the following elements pursuant to Performance Standard 1 of the International Finance Corporation: i) an environmental and social policy approved by Nixte's senior managers; ii) the identification of risks and impacts; iii) management programs or procedures that include all aspects of workplace health and safety; iv) the name of the Nixte representative responsible for guaranteeing compliance with and execution of the ESMS; v) emergency preparedness and response; vi) participation of social stakeholders; and vii) followup and evaluation. The Nixte representative responsible for the ESMS shall ensure that the employees and contractors are informed of the ESMS and will supervise compliance with it.

Efficient Resource Use and Pollution Prevention: Nixte's products are grown mainly in greenhouses that use drip irrigation systems for efficient utilization of water and fertilizers. The irrigation water for the greenhouse crops comes from wells located on Nixte's property; the company has permits for water extraction. The irrigation water quality is monitored to ensure it does not contain pollutants or harmful microorganisms. Runoff irrigation water containing dissolved fertilizer from the crops in the greenhouses is recovered and stored temporarily with rainwater in a tank at the company's facilities. It is used to irrigate and fertilize other crops on the company's open-air farm land. The amount of liquid effluent generated on the project site is minimal and comes mainly from the cleaning of the packing plant and the use of the bathrooms and showers installed for employees. These liquid effluents are sent to septic tanks for treatment; the septic tanks are regularly cleaned out by an authorized company. All the agrochemical products are stored properly, in a space with safety signage and restricted access. To prevent damage to the environment, the agrochemical containers

are triple-washed and sent to a collection center that operates under a government program for collection of empty agrochemical containers called “Conservemos un Campo Limpio” (“let’s keep the countryside clean”). The operation and maintenance of the greenhouses produce waste plastics that are disposed of through companies authorized to recycle them. Solid waste from the workers’ break room and the offices is collected by a contractor who transports it for final disposal at a site authorized by the municipality. However, during the evaluation visit, the remains of burned trash were observed at Nixte’s facilities, at the site where solid waste is temporarily stored. At the IIC’s request, Nixte must improve this aspect of its handling of solid waste. To do so, the company will implement a program to organize and clean the area where solid waste is currently handled and will install a covered, restricted-access temporary storage facility to ensure that solid waste does not end up in open-air piles and that it is not burned. Solid organic waste is also generated during crop production. The company currently disposes of this solid plant waste by placing it in pits or trenches dug for that purpose and mixing in layers of earth to compost it, although in reality this is basically a rudimentary landfill for agricultural waste without a significant amount of oversight. At the IIC’s request, Nixte shall implement a program to improve its current practices for final disposal of plant waste in order to prevent potential negative impact on the groundwater or soil and to ensure compliance with domestic environmental regulations and good international practices. If the option chosen for final disposal of agricultural waste is composting, Nixte shall follow one of the available techniques that have been established for handling agricultural waste in accordance with domestic regulations or the practices recommended by, for example, Food and Agriculture Organization guidelines. The packing plant includes refrigerators where the final product is stored temporarily until it can be sent for export. The cold-storage system of the refrigerators used by Nixte does not use ammonia or chemical substances that damage the ozone layer. Workplace, Labor Conditions, and Social Issues: Nixte’s labor practices comply with Mexican labor laws and International Labour Organization principles. Nixte has an ethics policy establishing its commitment to comply with applicable domestic law, as well as its commitment to its personnel, suppliers, and clients, among other parties with an interest in its operations. Its personnel training program covers the following aspects, among others: good agricultural practices, food safety techniques, application of agrochemicals, and use of personal safety equipment. During the visit to the facilities, it was observed that workers have a break area, bathrooms, and drinking water. The personnel working in the greenhouses or Nixte’s other facilities live in nearby villages, for which reason housing facilities are not needed. Nixte provides workers with transportation to work sites and transports them back to their communities at the end of the work day. Worker transportation is provided by a transportation company hired by Nixte. At the request of the IIC, Nixte will ensure that the transportation company that transports the personnel has all the necessary permits to ensure compliance with the law and with good practices in that area to prevent accidents during the transportation of personnel. Nixte’s facilities have safety signage and fire extinguishers for fighting fires. However, during the evaluation visit, some deficiencies were observed in the packaging plant, including: a lack of emergency exit signage; and a lack of alarms, smoke detectors, and an emergency response plan. At the IIC’s request, Nixte will ask the fire department, civil protection authority, or competent authority to inspect the packing plant and certify that it meets all rules and regulations on the issue, complying, for example, with the regulations of the Secretary of Labor and Social Security. If a lack of compliance is identified as a result of the aforementioned inspection, Nixte shall prepare a corrective action plan, along with a timeline for implementation that includes an execution deadline and estimated cost. Nixte shall also prepare an emergency response plan, to be approved by the competent authority. It shall include the regular performance of evaluation drills, mainly for the packing plant, which is where the majority of shift employees work. The project site has a natural gas heating system that includes boilers, a gas storage tank, and piping. This system was out of service during the evaluation, and Nixte confirmed that there is currently no gas stored there, nor are there any plans to use the system in the short or medium term. However, should Nixte wish to put the heating system into operation in the future, the IIC will require it to

obtain an inspection certificate and authorization to operate from the STPS or the competent authority that indicate that domestic regulations on industrial health and safety for use of such systems have been followed. Monitoring and Reporting: Nixte will draw up an Environmental and Social Action Plan acceptable to the IIC and submit annual monitoring reports on the issues outlined herein. During the life of the project, the IIC will monitor ongoing compliance with its own environmental and labor review guidelines by evaluating the monitoring reports submitted annually to the IIC by Nixte and by conducting regular field visits as part of the project supervision process.