

Environmental and Labor Issues: According to the IIC Environmental and Social Sustainability Policy this is a Category B project. Potential environmental and social (E&S) risks are expected to be typical of those in the food and beverage sector, which are generally of limited extent, largely reversible, and mitigated via measures that are readily available and feasible to implement.

Environmental and Social Appraisal The IIC's Environmental and Social Appraisal focused on the Project's current and anticipated performance in three principal areas: (i) general management of potential environmental and social impacts and risks; (ii) resource efficiency and prevention of pollution; and (iii) labor and working conditions.

Environmental and social context Novelda's Mexico City facility operates under a Land Use Certificate (Certificado Único de Zonificación de Uso del Suelo) that notes that the facility is located in an industrial zone suitable for the types of activities carried out by the company. All energy required for these activities is supplied by the local electrical grid. The facility is linked directly to the city's water treatment system.

General environmental and social management The management of E&S issues at Novelda is being incorporated into the E&S Management System (ESMS) of the KUA-MEX FOODS Group ("KUA"), as is the case for all of the companies in the KUA portfolio. Implementation of this ESMS is overseen by KUA's Social Responsibility Director, who will also be ultimately responsible for ensuring that the E&S performance at Novelda complies with KUA's standards. KUA's standards in turn must comply with the IIC Environmental and Social Sustainability Policy, since the IIC currently holds equity in KUA. KUA's own E&S management is guided by a detailed E&S Management Manual. Topics covered by the manual include: (i) the list of excluded activities for companies in the KUA portfolio (aligned with the IIC's own exclusion list); (ii) E&S risk categorization of prospective portfolio companies; (iii) the process for E&S review of prospective portfolio companies; and (iv) the E&S regulatory framework applicable to KUA and its portfolio companies. The E&S management activities specifically at Novelda are guided by Novelda's own E&S Management Manual. This manual is in the process of being updated to incorporate recommendations from the recent IIC appraisal visit. Completion of this update, to the satisfaction of the IIC, will be a requirement under the Project's E&S Action Plan.

Novelda has been awarded the Mexican Federal Inspection Type System (TIF) certification by the Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA). TIF certification is designed to ensuring the quality and safety of meat products from slaughterhouses and meat processing plants. The certification covers the construction, maintenance, and hygiene of the Novelda facilities.

Resource efficiency and pollution prevention Novelda's primary waste product is cardboard packaging material. This material and other recyclables are removed from the premises by dedicated recyclers. Novelda's activities result in negligible quantities of organic waste. The small quantities of meat trimmings produced are consolidated and sold to local restaurants.

Labor and working conditions Novelda's human resources activities are guided by a detailed Human Resources Policy that spells out the general terms of employment at the company and specifies its compliance in key areas with federal labor laws. Overseeing the implementation of this policy as well as general compliance with Mexican labor laws is the responsibility of a dedicated Human Resources Department at Novelda. KUA's human resources specialists also supervise these activities. Novelda's workforce is not currently unionized, although the company has no prohibition against unions and expects at that that its workforce will eventually unionize. Novelda has recently developed a formal Occupation Risk Identification and Control Procedure, which it intends to apply immediately as part of a program of continuous occupational health and safety improvement. The company also has an Internal Civil Protection Program that is certified by the pertinent local authorities. This program covers such matters as fire extinguisher maintenance, emergency response training, and appropriate signage.

Monitoring and Compliance Novelda will prepare an Environmental and Social Action Plan (ESAP) satisfactory to the IIC. The ESAP will commit the company to complete and implement a robust Environmental and Social Management System, beginning with the completion of the E&S Management Manual currently under development. IIC will verify the project's ongoing compliance with Mexican regulations and with the IIC Environmental and Social Sustainability Policy by requiring from Novelda the submission of annual environmental and social monitoring

reports. IIC will review these reports and conduct periodic site visits throughout the term of the IIC loan in order to verify continued compliance.