1. Overview of Scope of IDB Invest E&S Review

IDB Invest's environmental and social specialist visited Global commodities (Global commodities or the Company) headquarters in Managua, Nicaragua. IDB Invest led a walk-through of the facilities in Las Mercedes in Leon, and fields in Santa Rosa to get an overview of the operations. It interviewed the senior management team to understand the practices that the Company has in place to manage environmental and social performance. The scope of the due diligence encompassed a site visit to a Company owned land in Quezalguaque (Leon), where the new seed processing facility and warehousing will be built.

- PS 1 Assessment and Management of Environmental and Social (E&S) Risks and Impacts
- PS 2 Labor and working conditions
- PS 3 Resource Efficiency and Pollution Prevention
- PS 4 Community Health, Safety and Security

PS 5 - Land Acquisition and Involuntary Resettlement; PS 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources; PS7 - Indigenous Peoples; and PS 8: Cultural Heritage, will not apply.

2. Environmental and Social Categorization and Rationale

This is a category B project according to IDB Invest's procedure for Environmental and Social review of projects because a limited number of specific environmental and social impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, or design criteria.

3. Environmental and Social Context

IDB Invest potential corporate loan to Global commodities will consist in the integration and relocation of the processing and warehousing activities in one main industrial plant. The total project cost is estimated in \$ USD 6 million. For environmental and social purposes the action plan is being regarded as a greenfield operation where main potential environmental issues of this investment will be avoided through engineering design, the application of the performance standards and BWG guidelines in the construction and operational phase. Information about how these potential impacts will be mitigated in the new operation is summarized in the following paragraphs. Further information is provided in the attached Environmental and Social Action Plan (ESAP).

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

a) Environmental and Social Management System (ESMS)

Global Commodities will operate the new facilities following the law and regulations of Nicaragua, including local municipal regulations. As per the Environmental and Social Action Plan (ESAP), the Company will develop a management system encompassing social, occupational health and safety, human resources, and environmental affairs management for all its operations. The ESMS shall comply with IFC performance Standard 1 (PS1) Edition 2012 element requirements (Policy, and procedures manuals for other elements such as Identification of E&S risks and Impacts; Management Programs; Organizational Capacity and Competency; Emergency Preparedness and Response; Stakeholder Engagement; External Communication and Grievance Mechanism; Ongoing Reporting to Affected Communities, Monitoring and Review). The ESMS will also specify operating policy requirements as well as basic procedures that must be in place for compliance during construction and operational phases (during construction the ESMS will address occupational health

and safety of the workers; life and fire safety master plan design and certification; community engagement procedures to address impacts resulting from traffic, dust, and noise from construction equipment; generation of waste). During the operational phase, the ESMS will encompass procedures for labor relations, implementation of good management practices, employee health and safety; life and fire safety implementation, emergency contingency plan; food safety; adequate level of water for fire systems; hazardous and non-hazardous waste management; establish procedure to ensure efficient energy and water use; integrated pest management system, community engagement and handling of grievances.

As part of the ESMS, Global Commodities will enhance their process for periodic Monitoring and Review to senior management. And, will adopt additional Key Performance Indicators (KPIs) to mainstream Environmental, Occupational Health and Safety and social parameters, including: a) Safety – Lost Time Incident Frequency Rate (LTIFR - Number of lost time incidents per million hours worked); Accident Free Days (Number of Days since last Lost Time Incident); b) Sustainability - Greenhouse gases (kg CO2 emitted / tons produced); Water Usage (m3) and Energy Efficiency (kWh) – Emissions: monitoring effluents and any air emissions parameters; c) Social - Number of environmental and social complaints from communities.

As set forth in the ESAP, the Company will present a copy of the internal memorandum appointing a corporate level environmental and social person with managerial responsibilities exclusively for environmental, OHS, and social issues, reporting to senior management.

As per the ESAP, an ESMS development and implementation plan should be presented by the Company to provide consistency in the overall risk management of their operations. Once improvements are implemented, Global Commodities will present to IDB Invest a PS1 compliant Environmental and Social Management System (ESMS). To close gaps and demonstrate compliance of the ESMS, the Company will provide to IFC, for review and clearance, its Procedures Manual. This will be verified by IDB Invest through site supervision visit.

b) Environmental and Social Impact Assessment (ESIA): Following PS1 guidance note, Global Commodities will present to IDB Invest for review and approval, the environmental and social impact assessment (ESIA) and the environmental and social Management Plan for the construction and operational phase. Guidelines which will be applicable to this project ESIA shall include: IFC Performance Standards, WBG's Environmental, Health, and Safety General Guidelines, sector specific Guidelines for Food and Beverage Processing and Annual Crop Production.

4.2. Labor and Working Conditions

a. Working Conditions and Management of Worker Relationships

i. Human Resources Policies and Procedures: As of September 2016, the Company reports a total of 160 employees. Forty of these are direct employees. The remaining are contracted during harvest and processing. The Human Resources (HR) Department has a standard set of procedures that must be followed during the human resource management cycle. Global Commodities HR policies align with national and ILO Conventions on labor and working conditions. The minimum employment age is 18 and child labor and forced labor are forbidden within their direct operations and those of contractors. The Company is required by the ESAP to conduct an independent third party Human Resources Audit and consolidate comprehensive management system procedures in order to meet all requirements spelled out in the national labor law and the IFC Performance Standard 2, especially at it relates to the OHS provision based on the risk assessment of the jobs. When finalized, the HR policies and procedures will be communicated to all current employees, and new employees during the induction process. A signed acknowledgement of receipt from each employee shall be requested.

ii. Working Conditions and Terms of Employment: All labor practices are conducted in accordance with the labor law in Nicaragua, including number of work hours, wages and benefits, leave for illness, maternity, vacation, etc. No identity documents of workers are ever deposited with the Companies during employment for any reason.

- *iii. Workers' Organizations:* Whilst there is presently no union (sindicato), IDB Invest found no evidence of any restriction for employee's right to freedom of association. There is no history of recent labor strikes among the employees.
- *iv. Non-discrimination and Equal Opportunity:* The Company is a non-discriminatory and equal opportunity employer.
- v. Retrenchment: No retrenchment is expected as result of the new operations.
- vi. Chronic kidney disease (CKD): The disease is a prevalent Mesoamerican endemic nephropathy of unknown origin found in rural and urban populations. The disease impairs the kidney's ability to cleanse the blood. If not managed well, CKD results in progressive and irreversible loss of kidney function. The disease is found in Nicaragua and Central America in a wide range of sectors (mining, ports, construction, agriculture, brick manufacturing), as well as in adults and children. The GONicaragua declared CKD as occupational disease on June 15, 2004. Pre-recruitment physical exams are performed within the legal framework of national labor law in Nicaragua. Part of these exams is the assessment of creatinine to characterize kidney disease (stage of the disease), if any. All prospective workers showing creatinine levels at and above critical value for creatinine (1.4) mg/dL) are considered by nephrologists as high health risk, unfitted to work, and cannot be employed in activities requiring exposure to heat in the field or at processing facilities and premises. As set forth in the ESAP, Global Commodities will document the incidence and prevalence of chronic renal insufficiency among employees, both direct and contracted and develop a 2016 baseline. The Company shall establish a monitoring and CKD health care program to mitigate the effects of the disease and associated social impacts, and institutionalize preventive measures during operations, including provision of potable water for employees and establish periodical hydration rests during operations (field and processing facilities). The employee CKD health program shall also test for incipient or actual disease and refer affected employees to national health care facilities for further evaluation and treatment. According to national law, employees in Nicaragua undergo annual mandatory medical examinations and Global Commodities will provide IDB Invest with summary results of the mandatory annual employee medical examination, including creatinine assessment, using 2016 data as baseline. The Company will provide a report of results each year throughout the life of the project.
- vii. Employee Grievance Mechanism (GM): Company employees are able to lodge complaints internally. This provision however is not a formal internal grievance mechanism ESMS procedure. As per the ESAP, Global Commodities shall implement a Corporate Employee Grievance Mechanism, in compliance with Performance Standard 2, to be managed by the Human Resources Manager and included in the Corporate ESMS as part of labor management practices. The GM shall involve an appropriate level of management and subject to a timetable for completion of consideration of grievances, using an understandable and transparent process that allows also for anonymous complaints, and provides feedback to those concerned. The Company will maintain log of grievances and analyze trends. Once the GM document is approved by IDB Invest, it shall be communicated to all employees using best communication channels available.
- **b. Protecting the Workforce:** All employees are 18 years of age and up. The Company does not have an explicit written policy and there are no procedures to monitor child labor and forced labor

within their direct operations and those of contracted suppliers. As per the ESAP, the Company will develop and implement a child labor monitoring management system procedure, including a monitoring plan and training to supervisors and suppliers

- c. Occupational Health and Safety: the Company will conduct an independent third party OHS Audit, identifying fire prevention and control needs, housekeeping, physical hazards at workstations, use of PPE, investigate costs to the company for liability insurance and compensation payouts, lost time accidents; fatalities and other preventable accidents, including fires, materials spills, transport, etc. This audit will propose an OHS Plan that will include technical and financial requirements for its implementation and with allocated responsibilities that defines required tasks, actions and procedures needed to close all observed gaps with OHSAS 18001 and Performance Standard related OHS requirements. The OHS Action Plan will include a schedule for improved working procedures, meeting life and fire safety requirements outlined in the WBG EHS General Guidelines, and provide training to all current and new employees on OHS to reduce the risk of injuries. The Company will inform IDB Invest annually of OHS statistics and progress in its direct operations using the OHS audit as a baseline. Use of PPE in field operations will eventually include contracted suppliers.
- d. Dust particles can be easily observed in the area of seed packaging: As set forth in the ESAP, baseline and periodic physical examinations shall be conducted for people exposed to dust (e.g. pulmonary capacity tests). Exposure to health of employees shall be reduced through application of engineering controls at the design level, regular cleaning, and Personal Protection Equipment (PPE). As set forth in the ESAP, in the design of the new facility, Global commodities will install dust evacuation systems (extraction hoods) following the ACGIH (American Conference of Governmental Industrial Hygienists) Industrial Ventilation Manual. The Company will develop and implement a work station air quality monitoring plan to verify effectiveness of the dust evacuation equipment, and produce a third party medical report on incidence of lung disease in workers. Results from annual medical exams will be reported annually to IDB Invest.
- e. Life and Fire Safety System Design: For the new facility, and as set forth in the ESAP, Global commodities will design and implement a management system procedure and Master Plan for Life and Fire Safety identifying major fire risks, applicable codes, standards and regulations, fire drills, and mitigation measures. The Master Plan must also be responsive to the elements described in NFPA and the WBG General EHS Guidelines. Global commodities will engage consultant professional services of a NFPA Certified Engineer (acceptable to IDB Invest) to prepare Master Plan (engineering design of new facility) and conduct during-and-post-construction inspections to verify that the system was installed as designed. Life and fire safety design shall be responsive to the NFPA international life safety code, the Nicaragua life safety code, and the Life and fire Safety requirements of the WBG General EHS Guideline. At the end of construction, besides the approval of national authorities, Global commodities will provide to IDB Invest a third party certification by the NFPA certified professional, that the design and construction of life and fire safety systems complies with the specifics of NFPA life and fire safety guidelines.
- **f. Workers Engaged by Third Parties:** All HR principles at Global commodities are equally applicable to workers engaged by contractors.

4.3. Resource Efficiency and Pollution Prevention

i. Resource Efficiency: All current operations and administrative offices run mainly on power from the national grid. No back-up generators are available. As per the ESAP, Global Commodities will develop a management system procedure to ensure efficient energy use, and will implement an energy saving plan. The plan will target resource efficiency through improvements in the design of the new facility, selection of equipment and energy source, and awareness programs with employees

to reduce consumption. It is expected that the new site will adopt a Green Building Design approach to ensure the highest efficiency as it relates to water and energy use. Photovoltaic panels would be desirable in roofs, and install energy efficient lighting and passive cooling.

- *ii.* Greenhouse Gases: Annual greenhouse emissions from all operations are estimated less than 25000 tpa CO2 equivalent. As set forth in the ESAP, Global commodities will implement a Management Systems Emissions Inventory of Greenhouse Gases (field and plant).
- *iii. Water Consumption:* According to the Company, water for premises is obtained from public sources and supplemented during emergencies by use of groundwater (one well). Water use by the Company facility has not been reported to IDB Invest. Field operations use precipitation as water source. As per the ESAP, for the new facility, Global Commodities will develop a baseline scenario and saving plan of groundwater daily/annual use for sanitary and domestic use.
- iv. Overall agricultural field operations would benefit from employing consultants providing advice for nursery operations and transplantation, field management, and monitoring physical, chemical and microbiological aspects of soils to ensure optimum conditions for water uptake and growth. This scientific approach would guarantee tailor-made interventions, eliminate speculative use of fertilizers, water, and pesticides; and will help protect ecosystems both in the fields and nearby.

a. Pollution Prevention

- *i. Wastes:* The Company will produce unknown quantities of solid waste mainly consisting of office waste (paper; cardboard), organic waste from on-site food services, and maintenance waste. During seed processing, Global Commodities estimates that 300 Mt of peanut husk will be produced and sold as animal feed. As part of the ESAP, Global Commodities will formalize procedures for the recycling of paper and plastic waste and final disposal of all waste materials by authorized companies.
- *ii.* Wastewater: The seed processing operations do not use water. The Company will discharge unknown amounts of sanitary wastewater to a private pith under permit to be obtained at the local municipality.
- *iii. Hazardous Materials Management:* The hazardous materials present at Global Commodities consist of relatively small volume of oil, light tubes, used in their operations. All hazardous materials will be handled in accordance with acceptable practices.
- iv. Pesticide use: The exclusion lists of pesticides include WHO 1a/1b and Category 2 list. As per the ESAP, Global Commodities will identify and, as feasible, eliminate the use of WHO Class 1a and 1b, and Class 2 chemical formulations in all operations. The Company will implement an integrated pest and disease management program, which will eventually be implemented in fields of contracted suppliers. Global Commodities will promote internally, and by any future suppliers, the use of adequate PPE based upon MSDS and/or ICSCs for the chemical materials used. Global Commodities will also fully incorporate all pest and disease management procedures into the ESMS procedures manual, including training of workers on safety operational procedures and correct use of PPE when applying plant protection products. The Company will monitor the cholinesterase levels in workers applying pesticides at owned plantations and report annually to IDB Invest.

4.4. Community Health, Safety and Security

a. Community Health and Safety: To prevent impacts on communities, Global Commodities will develop clear community safety guidelines to be enforced at the future seed processing facility. The

Company will implement safety guidelines to be enforced on all contracted transport to avoid accidents to members of the public, as well as ensure safety of transport of raw materials, fire safety, etc. The Company will also develop guidelines to ensure active participation of local government agencies and local Fire Departments and Emergency Care to respond to emergencies due to direct operations. All Company community safety guidelines will be listed in the Company website.

- b. External Communication and Grievance Mechanisms: Going forward the Company will formalize the community engagement process and take the actions to develop and implement a Stakeholder Engagement Plan. As per the ESAP, the company will develop a community grievance mechanism (GM) that may be used by the community to express concerns about the company operations and impacts. As part of the ESMS, Global Commodities will formalize a stakeholder engagement procedure, will implement an external communication system, and operationalize a Community Grievance Mechanism to collect and act upon any complaints or concerns of communities. The implemented mechanism shall include dissemination of the GM, training of workers on the GM, and how individuals may register grievances publicly or anonymously with Global Commodities, brought to the attention of senior management, and resolved.
- **c. Security Personnel:** As set forth in the ESAP, operating ESMS procedures are needed to manage security forces in accordance with IFC PS4 requirements as described in paragraph 12-14.

5. Local Access of Project Documentation

Mr. Ramiro Jose Velazquez Granera

-Leon:

Km. 95.5 Carretera Leon - Chinandega Leon, Nicaragua Tel/Fax. 505 23110930

Mobile. 8883-5591 -Managua:

Del Club Terraza 1 cuadra arriba, media cuadra al lago, Numero 16B. Villa Fontana, Managua, Nicaragua

Tel. 2299-2994 Mobile. 8883-5591

6. Environmental and Social Action Plan (ESAP)

GLOBAL COMMODITIES Environmental and Social Action Plan (ESAP)		
Task/Title Description		Indicator of Completion

PS 1 ESMS Compliant: Global Commodities is required to demonstrate a PS1 compliant Environmental and Social Management System (ESMS). The ESMS shall comply with IFC performance Standard 1 (PS1) Edition 2012 element requirements for compliance during construction and operational phases (Policy, and Procedures Manuals for other elements such as Identification of E&S risks and Impacts; Management Programs; Organizational Capacity and Competency; Emergency Preparedness and Response; Stakeholder Engagement; External Communication and Grievance Mechanism; Ongoing Reporting to Affected Communities, Monitoring and Review). To close gaps and demonstrate compliance of the ESMS, the Company will provide to IFC, for review and clearance, its Procedures Manual.	09/15/2017	Procedures manual for the ESMS
PS1 Compliant ESMS: Compliance with the PS1 ESMS element requirements will be verified by IDB Invest through site supervision visit.	10/31/2017	PS 1 ESMS Compliant
responsibilities exclusively for environmental, OHS and social issues, reporting to senior management.	03/31/2017	Copy of internal memorandum with appointment of corporate level social and environmental manager
ESMS Monitoring and Review: Global Commodities will enhance their process for periodic Monitoring and Review to senior management. And, will adopt additional Key Performance Indicators (KPIs) to mainstream Environmental, Occupational Health and Safety and social parameters, including: a) Safety – Lost Time Incident Frequency Rate (LTIFR - Number of lost time incidents per million hours worked); Accident Free Days (Number of Days since last Lost Time Incident); b) Sustainability - Greenhouse gases (kg CO2 emitted / tons produced); Water Usage (m3) and Energy Efficiency (kWh) – Emissions: monitoring effluents and any air emissions parameters; c) Social - Number of environmental and social complaints from communities.	02/15/2017	Report of KPI's annually
Environmental and Social Impact Assessment (ESIA): Following PS1 guidance note, Global Commodities will present to IDB Invest for review and approval, the environmental and social impact assessment (ESIA) and the environmental and social Management Plan for the construction and operational phase. Guidelines which will be applicable to this project ESIA shall include: IFC Performance Standards, WBG's Environmental, Health, and Safety General Guidelines, sector specific Guidelines for Food and Beverage Processing and Annual Crop Production.	03/31/2017	PS1 ESIA Compliant
Human Resources Policies and Procedures: the company will conduct an independent third party Human Resources Audit and consolidate comprehensive management system procedures in order to meet all requirements spelled out in the national labor law, and the IFC Performance Standard 2, especially at it relates to the OHS provision based on the risk assessment of the jobs. When finalized, the HR policies and procedures will be communicated to all current employees, and new employees during the induction process. A signed acknowledgement of receipt from each employee shall be requested.	03/31/2017	HR policies and management system procedures

Chronic kidney disease (CKD): document the incidence and prevalence of chronic renal insufficiency among employees, both direct and contracted and develop a 2016 baseline.	03/31/2017	CKD Baseline
CKD health care program: The Company shall establish a monitoring and CKD health care program to mitigate the effects of the disease and associated social impacts, and institutionalize preventive measures during operations, including provision of potable water for employees and establish periodical hydration rests during operations (field and processing facilities). The employee CKD health program shall also test for incipient or actual disease and refer affected employees to national health care facilities for further evaluation and treatment.	01/31/2017	CKD monitoring and health care program
Annual mandatory medical examinations: Global Commodities will provide IDB Invest with summary results of the mandatory annual employee medical examination, including creatinine assessment, using 2016 data as baseline. The Company will provide a report of results each year throughout the life of the project.	07/31/2017	Annual report of mandatory medical examinations
Employee Grievance Mechanism (GM): As per the ESAP, Global Commodities shall implement a Corporate Employee Grievance Mechanism, in compliance with Performance Standard 2.	01/31/2017	Employee Grievance Mechanism
Once the GM document is approved by IDB Invest, it shall be communicated to all employees using best communication channels available.	02/15/2017	PS2 Compliant Employee Grievance Mechanism
Child Labor Monitoring: the Company will develop and implement a child labor monitoring management system procedure, including a monitoring plan and training to supervisorsand contracted suppliers.	01/15/2017	Child Labor Monitoring procedure
prochancialitiae that datings radilirad tacks, actions and argenaliras	a)01/31/2017	a)OHS Action Plan b)OHS statistics annual report
Dust Extraction Hoods in new Facility Design: Global commodities will install dust evacuation systems (extraction hoods) following the ACGIH (American Conference of Governmental Industrial Hygienists) Industrial Ventilation Manual.	10/31/2017	Dust evacuation systems installed

Workplace air quality monitoring: The Company will develop and implement a work station air quality monitoring plan to verify effectiveness of the dust evacuation equipment, and produce a third party medical report on incidence of lung disease in workers. Results from annual medical exams will be reported annually to IDB Invest.	10/31/2017	Annual medical exams
Life and Fire Safety (L&FS) System Design: Global commodities will design and implement a management system procedure and Master Plan for Life and Fire Safety identifying major fire risks, applicable codes, standards and regulations, fire drills, and mitigation measures. The Master Plan must also be responsive to the elements described in NFPA and the WBG General EHS Guidelines. Global commodities will engage consultant professional services of a NFPA Certified Engineer (acceptable to IDB Invest) to prepare Master Plan (engineering design of new facility) and conduct during-and-post-construction inspections to verify that the system was installed as designed. Life and fire safety design shall be responsive to the NFPA international life safety code, the Nicaragua life safety code, and the Life and fire Safety requirements of the WBG General EHS Guideline.	01/31/2017	Life and fire safety system management system procedure and Master Plan
NFPA (L&FS) Post Construction certification: At the end of construction, besides the approval of national authorities, Global commodities will provide to IDB Invest a third party certification by the NFPA certified professional, that the design and construction of life and fire safety system complies with the specifics of NFPA life and fire safety guidelines.	10/31/2017	L&FS NFPA post construction certification
Energy Efficiency: Global Commodities will develop a management system procedure to ensure efficient energy use, and will implement an energy saving plan. The plan will target resource efficiency through improvements in the design of the new facility, selection of equipment and energy source, and awareness programs with employees to reduce consumption. It is expected that the new site will adopt a Green Building Design approach.	01/15/2017	Energy saving plan.
Greenhouse Gases: Global commodities will implement a Management Systems Emissions Inventory of Greenhouse Gases (field and plant).	03/31/2017	GHG emissions report
Water Saving: For the new facility, Global Commodities will develop a baseline scenario and saving plan of groundwater daily/annual use for sanitary and domestic use.	03/31/2017	Water saving plan
Wastes: Global Commodities will formalize procedures for the recycling of paper and plastic waste and final disposal of all waste materials by authorized companies.	04/30/2017	Waste management procedures

<u> </u>	a) 04/30/2017 b) 04/30/2017	a)Integrated pest and disease management program b) Annual cholinesterase report
Community Health and Safety: The Company will implement community safety guidelines to be enforced on all contracted transport to avoid accidents to members of the public, as well as ensure safety of transport of raw materials, fire safety, etc. The Company will also develop guidelines to ensure active participation of local government agencies and local Fire Departments and Emergency Care to respond to emergencies due to direct operations. All Company community safety guidelines will be listed in the Company website.	a) 03/31/2017 b) 03/31/2017	a) Community health and safety guidelines b) Safety guidelines listed in the Company website.
External Communication and Grievance Mechanisms: The company will develop a community grievance mechanism (GM) that may be used by the community to express concerns about the company operations and impacts. As part of the ESMS, Global Commodities will formalize a stakeholder engagement procedure, will implement an external communication system, and operationalize a Community Grievance Mechanism to collect and act upon any complaints or concerns of communities. The implemented mechanism shall include dissemination of the GM, training of workers on the GM, and how individuals may register grievances publicly or anonymously with Global Commodities, brought to the attention of senior management, and resolved.	a) 03/31/2017	a) Community Grievance Mechanism b) Stakeholder engagement procedure
Security Personnel: Operating ESMS procedures will be developed to manage security forces in accordance with IFC PS4 requirements as described in paragraph 12-14.	01/31/2017	Security Operating ESMS procedures