



CERTIFICATION AND FINANCING PROPOSAL

SANA PREMIUM FOODS FROZEN FOOD PROCESSING PLANT IN SAN LUIS RIO COLORADO, SONORA

Published: October 5, 2022



CONTENTS

EXECUTIVE SUMMARY	1
1. PROJECT OVERVIEW AND EXPECTED OUTCOMES	3
2. ELIGIBILITY	4
2.1. Project Type	4
2.2. Project Location.....	4
2.3. Project Sponsor and Legal Authority.....	4
3. CERTIFICATION CRITERIA	5
3.1. Technical Criteria.....	5
3.1.1. General Community Profile.....	5
3.1.2. Food Processing in the Sustainable Food Value Chain	5
3.1.3. Project Scope	6
3.1.4. Technical Feasibility	7
3.1.5. Land Acquisition and Right-of-Way Requirements.....	8
3.1.6. Project Milestones.....	8
3.1.7. Management and Operation	9
3.2. Environmental Criteria.....	9
3.2.1. Environmental and Health Effects/Impacts.....	9
3.2.2. Compliance with Applicable Environmental Laws and Regulations.....	12
3.3 Financial Criteria.....	14
4. PUBLIC ACCESS TO INFORMATION	15
4.1. Public Consultation	15
4.2. Outreach Activities	15

EXECUTIVE SUMMARY

SANA PREMIUM FOODS FROZEN FOOD PROCESSING PLANT IN SAN LUIS RIO COLORADO, SONORA

Project Name:	Sana Premium Foods Frozen Food Processing Plant in San Luis Rio Colorado, Sonora (the “Project”).
Project Type (Sector):	Sustainable food value chains.
Objective:	The Project will promote a more efficient use of resources, such as water and energy, as well as the effective management of waste and other pollutants generated in the production of frozen specialty foods. As one step in the food value chain, the new food processing plant will employ an overall resource-efficient design that will use less water and energy compared to industrial facilities with the same production capacity of 25 million pounds/year. In addition, the Sponsor will pursue Leadership in Energy and Environmental Design (LEED) certification for the plant, which would validate the efficient use of energy and other resources related to site development, building characteristics, operational equipment performance, and food production and packaging activities.
Expected Outcomes:	<p>In comparison with international standards for an industrial facility with the same production capacity, the Project is expected to provide the following environmental benefits:¹</p> <ul style="list-style-type: none">(i) A reduction in water consumption equivalent to 3,780 m³ (0.8 million gallons)/year, which represents a decrease of 49%.(ii) A reduction in electricity consumption equivalent to 1,251 megawatts-hour (MWh) per year for operations, representing a decrease of 12.7%. This reduction is equivalent to the displacement of the following emissions:<ul style="list-style-type: none">▪ 403 metric tons/year of carbon dioxide (CO₂);▪ 1.4 metric tons/year of nitrogen oxides (NO_x);▪ Less than 1 metric/year of sulfur dioxide (SO₂); and▪ Less than 1 metric ton/year of particulate matter with a diameter of 10 micrometers or less (PM₁₀).

¹ The anticipated environmental benefits have been defined in conjunction with the methodology used for evaluating the site development, building characteristics, operational equipment performance, and food production and packaging activities for LEED certification.

DRAFT BOARD DOCUMENT BD 2022-##
CERTIFICATION AND FINANCING PROPOSAL
SANA FROZEN FOOD PROCESSING PLANT

Population to Benefit:	Community wide ²
Sponsor:	Sana Premium Foods, S. de R. L. de C.V. (SANA).
Borrower:	SANA.
NADBank Loan Amount:	US\$16.0 million.

² The Project will reduce demand on stressed water and energy supplies and improve the reliability of those basic services for the community of San Luis Rio Colorado, Sonora and the broader region. Additionally, the Project is expected to generate more than 700 jobs, including temporary, permanent and indirect employment opportunities. Therefore, the population benefitted is described as community-wide, since a specific number of persons cannot be defined.

CERTIFICATION AND FINANCING PROPOSAL

SANA PREMIUM FOODS FROZEN FOOD PROCESSING PLANT IN SAN LUIS RIO COLORADO, SONORA

1. PROJECT OVERVIEW AND EXPECTED OUTCOMES

The proposed project consists of the design, construction and equipping of a food processing facility with a production capacity of 25 million pounds/year, located in the municipality of San Luis Río Colorado, Sonora (the “Project”). The private-sector sponsor is SANA Premium Foods, S. de R.L. de C.V. (SANA), a Mexico-based company owned by SANA Foods LLC located in Yuma, Arizona. As part of the sustainable food value chain, the Project will produce and supply frozen foods to various major retailers in the United States through a more efficient process and overall operation of the facility. The Project will utilize energy- and water-efficient industrial equipment and incorporate sustainable construction techniques and thermal efficient construction materials. The Sponsor will pursue Leadership in Energy and Environmental Design (LEED) certification for the plant, which will validate the efficient use of energy and other resources related to site development, building characteristics, operational equipment performance, and food production and packaging activities.³

In comparison with international standards for an industrial facility with the same production capacity, the Project is expected to result in the following environmental benefits:⁴

- (i) Reduction in water consumption equivalent to 3,780 m³ (0.8 million gallons)/year), which represents a decrease of 49%.
- (ii) Reduction in electricity consumption equivalent to 1,251 megawatts-hour per year, which represents a decrease of 12.7%. This reduction is equivalent to the displacement of the following emissions:
 - 403 metric tons/year of carbon dioxide (CO₂);
 - 1.4 metric tons/year of nitrogen oxides (NO_x);
 - Less than 1 metric ton/year of sulfur dioxide (SO₂); and
 - Less than 1 metric ton/year of particulate matter with a diameter of 10 micrometers or less (PM₁₀).

³ LEED is an internationally recognized green building certification system developed by the U.S. Green Building Council.

⁴ The reduction in energy and water consumption reported by the Sponsor’s LEED consultant are a result of implementing resource-saving elements in the building and production processes. Additional detail regarding the calculation of environmental benefits is provided in sub-section B. *Project Impacts* under of Section [3.2.1](#). Environmental and Health Effects/Impacts.

2. ELIGIBILITY

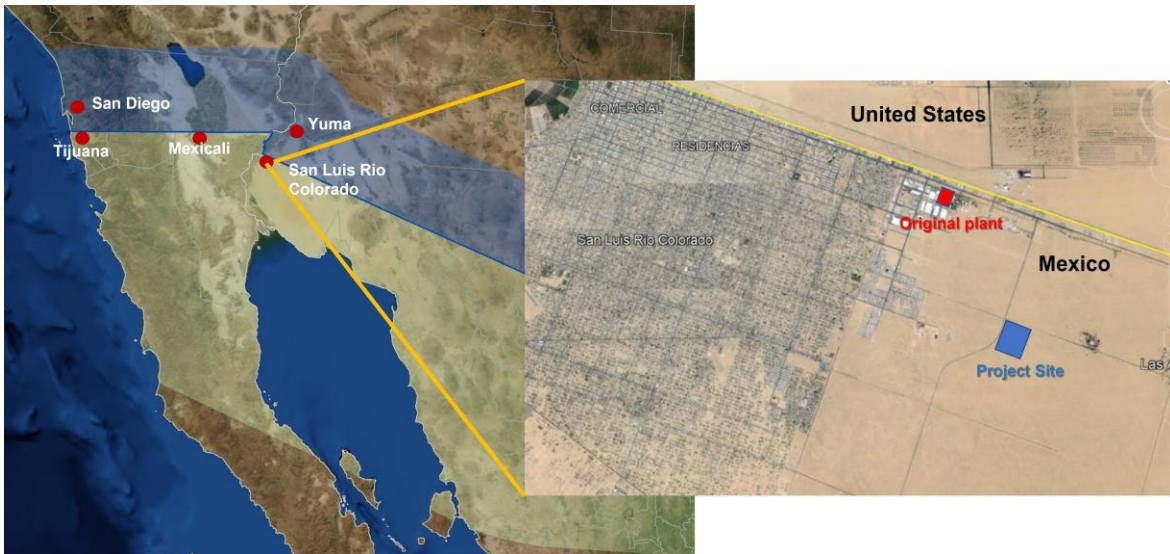
2.1. Project Type

The Project falls within the eligible category of sustainable food value chains, since it consists of investments that will promote the more efficient use of resources such as water and energy as well as the effective management of waste and other pollutants generated during food processing, packaging, storage, transportation, distribution and commercialization, as approved in Board Resolution 2021-15.

2.2. Project Location

The Project will be constructed in a site located 4.4 miles east of the city of San Luis Rio Colorado and 1.4 miles south of the U.S.-Mexico border. The Project site is located at the following coordinates: latitude 32°26'14.2"N and longitude 114°41'53.02"W. Figure 1 illustrates the geographic location of the Project.

Figure 1
PROJECT LOCATION MAP



2.3. Project Sponsor and Legal Authority

The private-sector project sponsor is SANA Premium Foods, S. de R.L. de C.V. (the “Sponsor” or “SANA”), who will implement the Project and contract the financing. SANA is a Mexico-based company owned by SANA Foods LLC located in Yuma, Arizona. SANA Foods also owns SANA USA LLC, the company in charge of marketing and sales, which is also located in Yuma, Arizona. SANA was incorporated on May 31, 2021 and has the legal authority to develop the Project.

3. CERTIFICATION CRITERIA

3.1. Technical Criteria

3.1.1. General Community Profile

According to the 2020 Mexican census, the population of Sonora was 2,944,840, which represented 2.3% of the population of Mexico.⁵ The state of Sonora accounted for 3.6% of Mexico's gross domestic product (GDP) in 2020.⁶ According to the 2019 Economic Census, the main economic activities contributing to the total gross production of the state are: manufacturing (45.9%), mining (16.8%) and power generation (7.6%).⁷

The total population of San Luis Rio Colorado was 199,021 in 2020.⁸ According to the 2019 Economic Census, the main economic activities contributing to the total gross production of the municipality are: manufacturing (36.6%), retail trade (26.2%) and wholesale trade (8.3%).⁹

In addition to providing environmental benefits to the region as a result of water- and energy-efficiency efforts, the Project is expected to benefit the community of San Luis Rio Colorado, Sonora, by creating employment opportunities and generating income during the construction and operation of the Project. The Project is expected to generate approximately 200 jobs during construction, 440 onsite jobs during operation and approximately 100 permanent indirect jobs.

3.1.2. Food Processing in the Sustainable Food Value Chain

There are several steps involved in the food value chain, including: food production, processing, packaging, storage, transportation, distribution, commercialization, and consumption. In particular, food processing can be defined as the activities involved in converting raw agricultural produce into food products for human consumption. This step supports improved access to safe and palatable food by:

- Increasing the shelf-life of food, thus improving supply availability;
- Making seasonal foods available throughout the year, providing greater variety for a balanced diet and nutrition; and
- Reducing food waste by preventing decay or spoilage of food.

⁵ Source: Mexican statistical institute (INEGI), Censo de Población y Vivienda, 2020 [2020 Population and Housing Census] (<https://cuentame.inegi.org.mx/monografias/informacion/son/default.aspx?tema=me&e=26>).

⁶ Source: INEGI, Aportación al Producto Interno Bruto (PIB) nacional [Contribution to the national Gross Domestic Product (GDP)] (<https://cuentame.inegi.org.mx/monografias/informacion/son/default.aspx?tema=me&e=26>).

⁷ Source: INEGI, Censo económico 2019 [2019 Economic Census] (<https://www.inegi.org.mx/app/saic/>).

⁸ Source: INEGI, Censo de Población y Vivienda, 2020 [2020 Population and Housing Census] (<https://cuentame.inegi.org.mx/monografias/informacion/son/default.aspx?tema=me&e=26>).

⁹ Source: INEGI, Censo económico 2019 [2019 Economic Census] (<https://www.inegi.org.mx/app/saic/>).

However, food processing and manufacturing can be both energy- and water-intensive. Processing and manufacturing are responsible for about 23% of energy expenditure in the U.S. food industry. Water is used extensively in food processing, both as an ingredient and in various industrial processes (e.g., cleaning, sanitizing, cooling, cooking). Reducing energy and water consumption can be particularly challenging in the food processing sector since production demands and safety requirements must come first.¹⁰

SANA is a frozen specialty foods business, which develops and sells private-label products to major retailers and foodservice providers, as well as supplies processed components for other products offered by major consumer brand companies. The company has earned certifications from regulatory and standards institutions, such as the U.S. Department of Agriculture (USDA) and the Mexican National Food Safety, Quality and Health Service (SENASICA) and has never had to do a major recall of a product or faced product liability issues.

In June 2020, SANA's facilities caught on fire and were destroyed.¹¹ In order to maintain the supply of frozen foods to its main clients, the Sponsor outsourced the manufacturing of its products to external companies. Given the steady demand for its product, even during the interruption of its operations, SANA decided to build a new frozen food processing plant at a new site with an increased capacity of 25 million pounds/year, nearly twice its previous capacity, and has expressed interest in further expanding its production capacity in the next five to seven years.

The new facility will not only support SANA's full re-entry into the market with a higher production capacity, it will also support a more efficient use of resources in its operation. The Project will incorporate energy-, water-, and fuel-saving design and construction practices, as well as install high-efficiency equipment, for the overall operation of the facility and food processing activities. Design, construction and facility operations will form the basis of the Sponsor's application for LEED certification.

3.1.3. Project Scope

The proposed Project consists of the design, construction, and equipping of a frozen food processing plant with a production capacity of 25 million pounds/year. The Project will incorporate more efficient processes that will use less electricity, water and fuel within the production line compared to industry standards for similar facilities. The plant will produce different frozen specialty foods such as enchiladas, cabbage rolls, tamales, quesadillas, bacon-wrapped jalapeños, bacon-wrapped dates with goat cheese, and tacos.

The main equipment used in the preparation of frozen foods at the plant is provided in the following table.

¹⁰ Source: Bureau Veritas, 4 Ways to Make Food Processing More Sustainable (https://certification.bureauveritas.com/magazine/4-ways-make-food-processing-more-sustainable#_ftn1).

¹¹ SANA originally operated under the name "SANA International." After the fire in 2020, SANA reestablished its operations as "SANA Premium Foods."

Table 1

FROZEN FOOD PREPARATION EQUIPMENT		
▪ Continuous belt fryers	▪ Tortilla dough mixer	▪ Fryers
▪ Thermoforming packaging systems	▪ Tortilla cookers	▪ Blenders
▪ Spiral freezing tunnels	▪ Autoclaves*	▪ Bag sealers
▪ Meat grinder and mixer	▪ Cooking tanks	▪ Weighing machines

* An autoclave is a machine used in industrial processes that require elevated pressures and temperatures.

In addition, the Project will incorporate sustainable construction techniques and thermally efficient materials for the structure of the facility. The Sponsor will pursue LEED certification for the plant, including the administrative areas and the production processes, at the “Certified” level, which will validate the efficient use of energy and other resources at the facility.¹²

The operation of the new plant will generate municipal solid waste, hazardous waste and waste requiring special handling, which will be disposed of in accordance with the applicable regulations.¹³ The Project will also include a wastewater treatment facility for pretreatment of any waste stream generated during production. After on-site treatment, the wastewater will be discharged to the existing sewer system.

3.1.4. Technical Feasibility

Incorporated as SANA International, the Sponsor started operations in 1989 (and since May 2021 operates as SANA Premium Foods, S. de R.L. de C.V.). With more than 30 years in operation and a production capacity of 13 million pounds/year, SANA became an important manufacturer of ready-to-eat frozen meals for the U.S. market. Based on the previous operations, SANA gained extensive knowledge and experience related to the equipment requirements for a successful food processing facility. For the new plant, SANA has taken the opportunity to select high-efficiency equipment to improve its production line, as well as to make better use of water, energy and fuel resources, which is not only more eco-friendly but also reduces essential operational expenses.

Furthermore, the Sponsor has made a significant effort to incorporate LEED certification factors into the design and construction of the plant, many of which were introduced after site preparation and construction initiated at the request of NADBank. Efforts such as enhanced interior lighting and indoor air quality, reducing and improving water use, as well

¹² There are four levels of LEED certification: Certified (40–49 points) Silver (50–59 points) Gold (60–79 points) Platinum (80+ points).

¹³ Waste requiring special handling is defined under the Mexican General Law for Comprehensive Waste Prevention and Management as the waste generated by productive processes that does not meet the definition of hazardous or municipal solid waste or is produced by generators of large quantities of municipal solid waste. In the case of the SANA, this type of waste refers to cardboard, wood, oil, cabbage and tortilla scraps expected to be generated at the new plant.

<https://apps1.semarnat.gob.mx:8443/dgeia/informe15/tema/cap7.html#:~:text=Los%20residuos%20de%20manejo%20especial,2003%3B%20INECC%2C%202012>

as the use of more energy efficient production equipment, have created a more feasible investment for the overall operation of the facilities.

With respect to the permits required for Project implementation, in November 2021, the Sponsor obtained the permit to develop the land and began site preparation work in February 2022. Electricity service will be provided by the Mexican Federal Electricity Commission (CFE), and the corresponding electricity supply authorization was obtained in August 2021.¹⁴ Water services for the new plant will be provided by the local water utility, *Organismo Operador de Agua Potable, Alcantarillado y Saneamiento* (OOMAPAS). Permit No. 0848/DOOAS/2022, which includes water and wastewater services, was issued in May 2022 by OOMAPAS, and allows for 19,000 m³ (5 million gallons)/month of water, which is sufficient for the production capacity of the facility. Documentation regarding the construction permit is pending from the Sponsor.

3.1.5. Land Acquisition and Right-of-Way Requirements

The Project site covers a total area of 53,900 square meters (13.3 acres) in an unpopulated area located east of San Luis Rio Colorado. The new facility will occupy approximately 12,365 square meters (3 acres). In August 2021, the Sponsor secured the land and rights of way for the Project. On February 15, 2022, a land use license was issued by the Department of Urban Development and Ecology of San Luis Rio Colorado.

3.1.6. Project Milestones

Financial closing is expected by the fourth quarter of 2022. Preparation of the Project site began in February 2022, and construction of the facility is expected to be completed by December 2022. Table 2 presents the status of key milestones for Project implementation.

Table 2
SUMMARY OF PROJECT MILESTONES

Milestone	Status
Electricity service authorization	Completed (August 2021)
State environmental authorization	Completed (November 2021)
Municipal land preparation permit	Completed (November 2021)
Municipal land use license	Completed (February 2022)
Water supply and sewer system connection authorization from OOMAPAS	Completed (May 2022)
Registration as special waste generator with CEDES*	Expected October 2022
Registration as hazardous waste generator with SEMARNAT	Expected October 2022
Plant startup	Expected January 2023

*Sonora state environmental agency, Comisión de Ecología y Desarrollo Sustentable del Estado de Sonora (CEDES).

¹⁴ Comisión Federal de Electricidad (CFE), <https://www.cfe.mx/Pages/default.aspx>

3.1.7. Management and Operation

The operation and maintenance of the facility will be carried out by SANA, which has more than 30 years of experience in operating and maintaining its facilities. The Sponsor will need to obtain the necessary authorizations and certifications, similar to those issued for the previous facility, from the respective Mexican and U.S. entities to export finished products from Mexico and distribute them in the United States.¹⁵

As required by the LEED certification, the Sponsor must prepare operation and maintenance manuals to ensure the efficient operation of the facility. Among the maintenance activities are cleaning equipment and process areas, as well as checking and calibrating machines and equipment on a planned, regular basis to minimize downtime and optimize production. Additionally, the Sponsor included voluntary plans to verify the operation of the facility, including the requirements for energy and water use, as designed, by conducting periodic reviews and adjustments of procedures to ensure resource-efficient operations.

3.2. Environmental Criteria

3.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

The production, processing, and distribution activities within the food value chain present several environmental challenges, such as an extensive use of land, water and energy; exposure to dangerous sources of pollution (e.g. runoff of fertilizers and pesticides); as well as the generation of organic and solid waste. Agriculture is the largest consumer of freshwater resources world-wide, while more than a quarter of the energy used globally is expended on food production and supply.¹⁶ Consequently, resource efficiency is essential throughout the food value chain. The Project will reduce demand on water and energy resources utilized, specifically, during the food processing phase.

Water

The food processing industry is the third most water-intensive sector in the United States, followed by the chemical and refining industries. Moreover, food processing requires high-quality water, such as potable or demineralized water, as an essential ingredient or for sanitizing purposes, which sets the industry apart from other industrial applications that may be able to use non-potable sources to meet their needs.¹⁷

¹⁵ All the permits required for construction will need to be completed and obtained prior to loan disbursement. Operational permits will be included as a covenant in the loan contract.

¹⁶ Source: United Nations, Water, Food and Energy. <https://www.unwater.org/water-facts/water-food-and-energy>

¹⁷ Source: Institute of Food Technologists (IFT), "Conserving Processing Water Requires a Systems Approach," *Food Technology Magazine*, May 1, 2021. <https://www.ift.org/news-and-publications/food-technology-magazine/issues/2021/may/columns/processing-conserving-processing-water#:~:text=The%20food%20processing%20industry%20in,the%20chemical%20and%20refinery%20industries>.

The plant will receive its water supply from the municipal water utility, and as such its water needs are secured. The water utility serving San Luis Rio Colorado provides water from the Mesa Arenosa aquifer for municipal and industrial uses. In December 2020, the Mexican National Water Commission (CONAGUA) published an update regarding the availability groundwater in this aquifer, which documents an insufficient rate of recharge in comparison to the rate of pumping.¹⁸ Therefore, resource efficiency efforts throughout the food value chain are of paramount importance.

To ensure that the food processing facility will have a minimal impact on the water supply, the Project will incorporate water efficiency practices such as the selection of native vegetation species to reduce outdoor water consumption, installation of highly efficient fixtures and fittings throughout the building, and reuse of the residual water from the cooling towers. The Project will require approximately 161,350 m³/year of water for its cleaning, cooling and sanitary fixtures, which represents only about 0.46% of the city's water production as reported for 2021. It is estimated that with all its water reduction measures, the new facility will use 45% less water than the previous facility, even with nearly twice the production capacity.

Energy

In addition to its water requirements, the food production and supply chain accounts for about 30% of total energy consumption globally.¹⁹ For the SANA facility, energy is required throughout the building for lighting and HVAC systems, as well as in the food processing trains for general equipment operation and more intensively in the heating and cooling activities. More specifically, SANA's operations will demand an estimated 8,620 MWh of electricity, annually.

Although located in the state of Sonora, the Project will receive electricity from the Baja California power grid (SIBC), which is isolated from the rest of the country. The Baja California power system is currently operated by the federal power commission (CFE), through the National Center for Energy Control (CENACE). Through cross-border interconnections, the SIBC has access to electricity generated in the U.S. from power supplied by the U.S. Western Electricity Coordinating Council (WECC), which is especially important for importing electricity to avoid blackouts during the summer months.

To ensure proper operation and avoid high energy consumption, the Project will incorporate an energy-efficient design related to site development and construction practices and materials, as well as the installation of high efficiency equipment for food processing. Considering only the non-process energy demands in the building, the energy savings are estimated as 49.4% less than industry standards and 12.7% less including the production processes.

¹⁸ Source: CONAGUA, *Actualización de la disponibilidad media anual de agua en el acuífero Valle de San Luis Río Colorado (2601)* [Update of the Average Annual Availability of Water in the San Luis Rio Colorado Valley Aquifer (2601)], State of Sonora, December 2020.

https://sigagis.conagua.gob.mx/gas1/Edos_Acuiferos_18/sonora/DR_2601.pdf

¹⁹ Source: United Nations, Water, Food and Energy. <https://www.unwater.org/water-facts/water-food-and-energy>

B. Project Impacts

To evaluate the anticipated performance of the Project, the Sponsor retained the services of a LEED consultant. In order to estimate the reduction of water and electricity consumption, the consultant compared the performance of the Project to a baseline facility with the same capacity under the applicable international standards. The results reported in September 2022 show that the Project is expected to generate environmental and human health benefits related to the following outcomes:

- (i) Reduction in water consumption equivalent to 3,780 m³ (0.8 million gallons) / year) from water fixtures placed throughout the administrative building and production areas, which represents a decrease of 49%.²⁰
- (ii) Reduction in electricity consumption in the administrative building and production areas equivalent to 1,251 megawatts-hour per year, representing a decrease of 12.7%.²¹ This reduction is equivalent to the displacement of the following emissions:²²
 - 403 metric tons/year of CO₂;
 - 1.4 metric tons/year of NO_x;
 - Less than 1 metric ton/year of sulfur dioxide SO₂; and
 - Less than 1 metric ton/year of PM₁₀.

In addition to the water- and energy-efficiency results targeted for the new plant, the Project's design includes other practices that will provide an environmental benefit:

- Strategies to identify, reduce, reuse and recycle approximately 200 metric tons or 75% of construction waste will be deployed during Project implementation.²³
- Liquefied petroleum gas (LPG) will be the only fuel type required at the facility, whereas the previous operation utilized both LPG and diesel, the latter being more carbon intensive.
- Refrigerants with no ozone depletion or global warming potential will be used for the freezer systems and heating, ventilation and air conditioning (HVAC) units.

²⁰ The Project was compared to a baseline facility operating in accordance with the National Efficiency Standards and Specifications for Residential and Commercial Water-Using Fixtures and Appliances under the U.S. Energy Policy Act of 1992.

²¹ The Project was compared to a baseline facility operating in accordance with the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), Standard 90.1 2010, Energy Standard for Buildings, Except Low-Rise Residential Buildings.

²² CO₂, NO_x, SO₂ and PM₁₀ calculations are based on the potential emissions avoided as a result of reducing future demand on fossil fuel-based electricity equivalent to 1,251 MWh/year through the use of energy efficient processes and the emission factors for the state of Baja California (San Luis Rio Colorado is connected to the electricity grid of Baja California). The emission factors were calculated by NADBank based on the power generation portfolio of the state of Baja California and on the factors reported per technology in PRODESEN 2018-2032. The resulting emission factors are: 0.32229 metric tons/ MWh for CO₂; 0.00111 metric tons/MWh for NO_x, 0.00048 metric tons/MWh for SO₂ and 0.00002 metric tons/MWh for PM₁₀.

²³ The estimation for the reduction of construction waste was based on statistical information generated by the LEED consultant for similar type of buildings, construction materials and construction area.

- The heat rejection stream generated after the freezing process maintains a cold enough temperature to be reused as pre-cooling for the HVAC systems used to cool the industrial process areas.²⁴
- The site has access to public transportation, and the Project sponsor has committed to building a bus stop to support their employees as well as to install bicycle storage.

Finally, in consideration of these factors and other best practices integrated into the Project design and construction, the Sponsor will pursue LEED certification at the “Certified” level for the Project to ensure the efficient operation of the new facility.

C. Transboundary Impacts

No negative transboundary environmental impacts are anticipated as a result of the implementation of the Project. On the contrary, the Project will ensure more sustainable use of water and electricity, preserving those critical resources for other purposes required in the region. Additionally, resuming operations of the new facility will provide job opportunities to residents on both sides of the U.S.-Mexico border.

3.2.2. Compliance with Applicable Environmental Laws and Regulations

A. Environmental Clearance

The implementation of the Project requires environmental clearance at the state level. Under the provisions of the Sonora State Law of Ecologic Balance and Environmental Protection (LEEPAES), the Sonora State Ecology and Sustainable Development Commission (CEDES) is responsible for issuing environmental clearances through an environmental permit referred to as a Comprehensive Environmental License or “*Licencia Ambiental Integral*” (LAI) in Spanish.²⁵ Because the SANA facility will use liquefied petroleum gas in its production process, its operation falls into the category of a “hazardous activity”. Additionally, all industrial facilities must obtain an Operating License. On November 4, 2021, the Sponsor obtained the LAI authorization, which covers the environmental authorization, the authorization for hazardous activities and the operating license.

The Sponsor must provide a Certificate of Operation to CEDES, which includes reporting requirements for processes and the emission of any pollutants during the annual operation of the Project.²⁶ The first report will be submitted by November 2022, with the clarification that the Project will begin operations in January 2023, therefore, no production or emissions will be reported for 2022.

²⁴ While the strategy of reusing pre-cooled water is highly efficient, considering that the processes in this building account for 95% of total energy consumption, the savings generated will represent only a small percentage of total energy savings and have not been included in the estimated energy reduction outcomes.

²⁵ *Ley del Equilibrio Ecológico y Protección al Ambiente del Estado de Sonora* (LEEPAES).
<http://transparencia.eσονora.gob.mx/NR/rdonlyres/F42F3D4B-7308-47B2-A958-31B5E3B12E19/194467/LeyEquilibrioEcologico.pdf>

²⁶ Article 103 of the LEEPAES establishes that any industrial facility that has obtained a LAI must submit to CEDES a Certificate of Operation (Cédula de Operación).
<http://transparencia.eσονora.gob.mx/NR/rdonlyres/F42F3D4B-7308-47B2-A958-31B5E3B12E19/194467/LeyEquilibrioEcologico.pdf>

Finally, the Sponsor will have to register with CEDES as a Special Waste Generator as well as with the Mexican Ministry of environment and Natural Resources (SEMARNAT) as a Hazardous Waste Generator. The Sponsor expects to complete both its registration as a Special Waste Generator and as a Hazardous Waste Generator by October 2022.²⁷

B. Mitigation Measures

As part of the mitigation measures prepared by the Sponsor and approved in the LAI, the following actions will be implemented to reduce, mitigate and control any environmental impacts resulting from the implementation of the Project during site preparation, construction and plant operation:

- Air:
 - Water will be sprayed on traffic areas to avoid dust emissions.
 - Construction materials will be covered to avoid debris and dust emissions.
 - Boilers will receive regular maintenance to comply with the emission limits set in Mexican standards NOM-043-SEMARNAT-1993 and NOM-085-SEMARNAT-2011.
- Soil: Organic waste will be stored in plastic containers to be disposed of by specialized contractors.
- Flora and fauna:
 - Vegetation will gradually be removed to allow fauna to relocate. No species listed in Mexican standard NOM-059-SEMARNAT-2010 were detected in the Project site.
 - Diverse green areas will be implemented to create natural barriers with native trees.
- Noise:
 - All construction machinery will use mufflers to avoid excessive noise.
 - Machine rooms will be designed to mitigate noise from equipment, such as refrigeration, boilers and air compressors.
- Solid waste:
 - Municipal solid waste will be disposed of in an authorized landfill by a specialized contractor.
 - Solid waste will be recycled by authorized contractors.
- Hazardous solid waste: Hazardous solid waste will be stored in accordance with applicable Mexican regulations and will be disposed of by authorized contractors.

²⁷ All the permits required for construction will need to be completed and ready before disbursement. Operational permits will be required in the loan contract.

- *Wastewater*: Wastewater will be treated and discharged into the municipal sewer system. The discharged water will comply with Mexican standard NOM-002-SEMARNAT-1996.

On January 31, 2022, as required under its LAI permit, the Sponsor delivered an Environmental Management Plan to CEDES. The plan establishes the necessary programs and actions for monitoring and controlling the measures implemented to mitigate any risk or environmental impact.

C. Pending Environmental Tasks and Authorizations

No environmental authorizations are pending for Project implementation.

3.3 Financial Criteria

The Project Sponsor has requested a loan from NADBank to complete the financing of the Project. The proposed payment mechanism is consistent with collateralized financial structures seen in the U.S. and Mexico. The source of payment will be the revenue generated by the Project from the sale of its products to its customers, including various frozen food wholesalers and retailers located in U.S. market.

A preliminary analysis conducted by NADBank verified that Sana Premium Foods, S. de R.L. de C.V. has the legal authority to contract the financing and pledge its revenue for the payment of financial obligations. It also has the legal and financial capacity to operate and maintain the Project given the experience of its team, the structure of the Project and the expected revenue stream. During its due-diligence process, NADBank will perform a detailed review of the technical, financial and legal aspects of the Project, as well as verify that the projected operation and maintenance (O&M) costs are financially sustainable.

The revenue from the sale of the frozen food products is estimated to be sufficient to: a) cover the O&M expenses, b) pay the debt service, c) fund the debt service reserve and d) comply with debt service coverage requirements.

Considering the characteristics of the Project and based on the financial and risk analysis performed, the proposed Project is financially feasible and presents an acceptable level of risk. Therefore, NADBank proposes providing a market-rate loan for up to US\$16.0 million to Sana Premium Foods S. de R.L. de C.V. for construction of the Project.

4. PUBLIC ACCESS TO INFORMATION

4.1. Public Consultation

On October 5, 2022, NADBank published the draft certification and financing proposal for a 30-day public comment period.

4.2. Outreach Activities

As part of the LAI authorization process, a summary of the Project was published on CEDES website for a period of five days from on August 31, 2021, to September 6, 2021.²⁸ A description of possible environmental impacts and strategies to mitigate them was made available to the public. No requests for public consultation or comments from public agencies, non-governmental agencies or the public in general were received.

NADBank conducted a media search to identify potential public opinion about the Project.

- *Noticias, diario nacional sin fronteras* (June 13, 2020) – “Devora incendio reconocida empresa de alimentos en SL” [Fire destroys renowned food company in SL]
<https://diarionoticias.info/principales/devora-incendio-reconocida-empresa-de-alimentos-en-sl/>
- *Meganoticias* (June 15, 2020) – “Trabajadores de SANA, en la incertidumbre tras el incendio” [SANA workers, uncertain after the fire]
<https://www.meganoticias.mx/s-luis-r-colorado/noticia/trabajadores-de-sana-en-la-incertidumbre-tras-el-incendio/155623>

No public opposition to the Project has been identified.

²⁸ CEDES, Monitoring System, Environmental Management (Sistema de Seguimiento, Gestión Ambiental)
<https://sisga.cedes.gob.mx/public.php>