

Environmental and Social Review Summary (ESRS) CALOX – COSTA RICA

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1 General Information of the Project and Overview of Scope of IDB Invest’s Review

CALOX de Costa Rica, S.A. (“CALOX”, the “Company”, the “Enterprise” or the “Client”), has requested IDB Invest to provide financial assistance to establish a long-term credit facility for the purchase of a property in Costa Rica (where its manufacturing plant is currently rented) and working capital for growth in the international market and in its own brand line “Xaikus”, from Costa Rica (the “Project” or the “Transaction”).

The Transaction includes: (i) strengthening the Quality Control and Research and Development (“R&D”) department, improving analytics and quality control, and increasing the yearly development of new molecules¹ or products; (ii) increasing the networking with local distribution companies in recently introduced countries (Colombia, Peru, and Ecuador) to increase their sales; (iii) increasing the operational and waste management standards of the manufacturing plant, to achieve certification; (iv) increasing the production of drugs that are accessible to health systems and end clients in order to combat the effects of the pandemic, limiting the spread of the disease and mitigating complications or damage to infected patients; and (v) increasing local production and establishing gender policies at the institutional level to expand the female work force, both in Costa Rica and in the Central American region (Honduras, Guatemala, Nicaragua, and Panama).

The Environmental and Social Due Diligence (“ESDD”) process included the review of supporting information, such as: environmental management policies, certifications, plans, manuals, and procedures; Human Resources (“HR”) policy; Occupational Health (“OH”) programs; information on waste management (both hazardous and non-hazardous waste, or waste requiring special handling); procedures for monitoring and evaluating environmental conditions in the workplace; and emergency response plans, among others. This process was supplemented by interviews with personnel from the Project’s HR, OH, Corporate Social Responsibility (“CSR”), Environmental Management, Procurement and Operations departments. Due to the mobility restrictions generated by the COVID-19 pandemic,² the ESDD did not include in-person visits to the Company’s facilities.

2 Environmental and Social Categorization and Rationale

This has been classified as a Category B transaction under IDB Invest’s Environmental and Social Sustainability Policy, given that its environmental and social (“E&S”) and OH risks and impacts are generally expected to be reversible and mitigable through available measures and existing technologies.

¹ Pharmaceutical formulas.

² 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>)

For those activities related to the Project's operation and maintenance (O&M) the potential impacts and risks include: (i) worker health and safety risks; (ii) generation of air pollutant emissions; (iii) generation of solid (hazardous and non-hazardous) and liquid waste (mainly industrial and domestic wastewater); and (iv) use of resources, mainly potable water and energy.

Due to its various locations, the Project is subject to natural hazards such as earthquakes, storms, droughts, and hurricanes, and social hazards such as vandalism and demonstrations or protests. However, they present a moderate to low risk in terms of both possible damage to the physical infrastructure of the plants and for employees and suppliers.

The Project will trigger the following International Finance Corporation (IFC) Performance Standards (PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; and PS 4: Community Health, Safety and Security.

3 Environmental and Social Context

With more than 83 years of history and 25 years of operating in Central America, CALOX is a company dedicated to the production, distribution, and sale of pharmaceutical products to institutional clients, pharmacies and pharmacy chains, hospitals, clinics, distributors, and clients in general. The Company has specialized in generic drugs since its inception in 1935.

The company has 138 molecules and 292 different presentations, in 3 business lines: (i) CALOX-Humanos, generic drugs (named active ingredient, 66 molecules developed-138 presentations). (ii) CALOX-Veterinaria, which markets animal health products (50 molecules developed-117 presentations); (iii) Xaikus, a line of drugs under its own brand (22 molecules developed-37 presentations).

Although CALOX was originally established in Venezuela, today it has two manufacturing plants, one in Venezuela³ and one in Costa Rica. Both plants are fully independent entities, legally, operationally and in terms of shareholding. The Project's plant directly supplies the markets of Costa Rica, Panama, Nicaragua, Honduras, Guatemala, El Salvador, and the Dominican Republic and, indirectly through third-party maquilas, supplies commercial partners in the rest of Central America and the Caribbean. Since 2015, the Company has made inroads with its products in Colombia, Peru, and Ecuador, where it has identified niches to strengthen its business.

Distribution is done through proprietary Distribution Centers ("CEDI", for its acronym in Spanish) located in Costa Rica, Honduras, Guatemala, Nicaragua, and Panama, and through external distributors in El Salvador and the Dominican Republic. In countries with CEDIs, the Company has a distribution network to pharmacies, drugstores, and other local distributors.

Between 2016 and 2018, CALOX has received several accolades, certifications, and awards in Costa Rica, recognizing its excellence, competitiveness, sustainability, innovation, and social progress.⁴ The

³ The plant in Venezuela has no relationship with the operation in Costa Rica and will not receive the use of funds from the operation; therefore, it is not covered by the scope of this ESRS and ESAP.

⁴ From the Chambers of Industry and Exporters in Costa Rica, as well as from the Foreign Trade Promotion Agency ("PROCOMER").

manufacturing plant in Costa Rica has a sanitary operating permit issued by the Ministry of Health, as well as a Good Manufacturing Practices ("GMP") certificate issued by the Ministry of Health and the Ministry of Agriculture and Livestock. In addition, all of the facilities have a Municipal License and an operating permit from the Costa Rican College of Pharmacists ("COLFAR").

4 Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Management System

CALOX is in the process of developing an Environmental Management System ("EMS") based on the ISO 14001:2015 standard, which, once finalized, will be adapted so that each of the Company's manufacturing plants and CEDIs also comply with the environmental, social, and occupational safety requirements applicable in each country where it operates.

4.1.b Policy

CALOX has an Environmental Policy which states its commitment to promoting the protection and conservation of the environment through continuous improvement of all its processes, mitigation of adverse environmental impacts, and pollution prevention.

The Company also has an Occupational Health Policy that states its culture of prevention, establishes the responsible behavior of its employees and introduces the so-called "CALOX CARD", an instrument that assigns the use of personal protective equipment ("PPE"), provides information and training on safety issues, identifies risks in the work environment, and implements safety measures that allow for safe, healthy and comfortable performance.

The Company invests in resources to implement these policies, which are mandatory for all people working in its facilities and processes, regardless of their employment relationship, as is compliance with the laws in force in the countries where it operates.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and indirect impacts and risks

As part of the EMS, CALOX is developing procedures to identify and manage risks and impacts by department within the plants and at the CEDIs to identify the most significant risks and impacts associated with the operation and the provision of services, including: (i) impacts to soil related to waste generation; (ii) resource depletion related to water consumption; and (iii) impacts to the atmosphere from pollutant emissions due to fuel consumption (direct source) and energy consumption (indirect source).

4.1.c.ii Gender risks

Although Costa Rica has laws⁵ and institutions⁶ that ensure the protection of women in terms of violence and harassment, gender-based violence and sexual crimes are the third and fourth leading causes of crime in the country, respectively. In addition, certain indicators—such as the number of women and women with children who go to shelters because they are at high risk of femicide—worsened during 2020 due to the pandemic.⁷

However, according to the information provided by the Company, due to the type of activity (manufacturing) and the industrial line of business (pharmaceutical), together with the fact that the Project's Manufacturing Plant and the CEDIs are located within the main cities in each country where the Company is present, it is estimated that gender risk is low and can be mitigated through the "CHARP Values",⁸ and the Company's equality and equity practices.

4.1.c.iii Climate change exposure

The Project Plant site is moderately exposed to physical risks and natural hazards from climate change in the following ways: (i) according to a global climate model, there is moderate exposure to drought, changes in precipitation patterns, and to earthquakes, and high exposure to on-site hazards from volcanic activity; and (ii) moderate exposure to drought shows a moderately rising trend under the RCP 8.5 climate change scenario.⁹

Nevertheless, according to the information provided by the Company, the risk of exposure to climate change is expected to be addressed by the measures proposed in the Emergency Plan, which is audited every 2 years to obtain the Sanitary Operating Permit granted by the Ministry of Health.

4.1.d Management Programs

As part of its EMS, CALOX is developing procedures for the identification and management of the most common risks and impacts, by department. To minimize these impacts and prevent pollution, the Company promotes good environmental, manufacturing, storage, distribution and transportation practices, focusing on integrated waste management, occupational health, emissions prevention and reduction, water and energy saving, and raising awareness among its employees and suppliers to optimize the use of resources.

⁵ Law No. 8929 of 2011 amending the Criminalization of Violence against Women Act (Amendment No. 8589 of 2007); Law No. 8805 of 2010 amending: the Sexual Harassment in Employment and Teaching Act; Law No. 9095 of 2013, amending the Human Trafficking Act; Law No. 8925 of 2011 amending the Domestic Violence Act.

⁶ Gender Violence Observatory of the Judiciary; National Women's Institute (INAMU); the Women's Ombudsman's Office of the Ombudsman's Office; the Municipal Women's Offices and the Gender Units in the ministries and autonomous institutions; among others.

⁷ National Women's Institute ("INAMU").

⁸ The CHARP Values that define the conduct of CALOX Corporation employees are Commitment, Honesty, Joy, Respect, and Passion (CHARP, for its Spanish acronym).

⁹ A Representative Concentration Pathway (RCP) is a greenhouse gas concentration pathway (not emissions) adopted by the IPCC. The pathways describe different climate futures, all of which are considered possible depending on the volume of greenhouse gases (GHG) emitted in the coming years. The RCPs, originally RCP 2.6, RCP 4.5, RCP 6, and RCP 8.5, are labeled from a possible range of radioactive forcing values in the year 2100 (2.6, 4.5, 6, and 8.5 W/m², respectively).

Measures to be taken to eliminate or mitigate the impacts or risks detected include: (i) preventive measures, focused on eliminating or reducing the frequency or severity of negative impacts or risks, supported by preventive and predictive maintenance programs for equipment and machinery; (ii) ongoing employee training programs and drill programs; and (iii) technical-operational recommendations, based on compliance with national regulations¹⁰ and good manufacturing, storage, and distribution practices for healthcare products.

4.1.e Organizational Capacity and Competency

CALOX has a dedicated E&S and OH organizational structure. The Property Safety, Occupational Health, and Environment Coordinator, together with the HR, Plant, and Quality Managers, are responsible for overseeing compliance with environmental and OH regulations, and for promoting a sustainable business model that respects the environment, identifies with the improvement of energy performance, and is committed to pollution prevention.

In addition, the Company has a procedure for assigning roles, responsibilities, and authorities within the EMS, which, in turn, defines a Steering Committee (responsible for implementing the EMS in each of the Company's functional areas or departments) and a Technical Environmental Committee, responsible for supporting the Steering Committee in implementing the EMS, in its maintenance and improvement proposals, and in the implementation of the corresponding environmental objectives.

Finally, the Company has a Medical Service at each plant, which is responsible for the implementation and monitoring of hygiene and safety protocols in response to the COVID-19 pandemic.

4.1.f Emergency Preparedness and Response

CALOX has an Emergency Plan for each of its Project plants, which complies with local risk prevention and emergency response regulations¹¹ and with the General Regulations for Sanitary Operating Permits and Authorizations granted by the Ministry of Health.¹²

Each plan contains a risk analysis for the plant based on the characteristics of the facilities and the most relevant materials used. The plan also describes the measures required to eliminate or mitigate each of the causes of risk detected and establishes preventive, mitigation, and relief actions to safeguard the physical integrity of employees, visitors, suppliers, and people in and around the facilities, as well as to address the wide range of emergencies that threaten the Company's property and its operations (earthquakes, volcanic activity, electric storms, tornadoes, hailstorms, fires, spills, explosions, bomb threats, etc.).

¹⁰ General Regulations for Sanitary Authorizations and Operating Permits granted by the Ministry of Health, specifically in the implementation of the Emergency Assistance Plan, the Comprehensive Waste Management Program, and the Occupational Health Program.

¹¹ Executive Decree No. 39502-MP, Regulation of Emergency Preparedness and Response Plans for Labor or Public Employment Centers.

¹² Executive Decree No. 39472-S of 2016.

The Company also has specific procedures for: (i) emergency care for security officers; (ii) formation and operation of emergency brigades; (iii) inspection of evacuation routes; (iv) reporting, investigation, and recording of incidents and accidents; (v) use, operation, and inspection of fire extinguishers; among others.

The Property Safety, Occupational Health, and Environment Coordinator is responsible for establishing the annual training program for the emergency brigades and, as part of the annual occupational health training schedule, for including topics related to the implementation and follow-up of the Emergency Plan.

4.1.g Monitoring and Review

One of CALOX's objectives is to comply with all environmental regulations required by local legislation. Therefore, as part of its EMS and in order to avoid penalties, the Company has scheduled environmental audits to verify compliance with applicable legal requirements at each work center. These audits use: (i) a set of key performance indicators ("KPIs") to measure environmental, social, and OH performance associated with the EMS management programs; and (ii) a compliance matrix containing all environmental, social, labor, and OH legal obligations applicable to the Transaction, and includes, among others: the competent authority in charge of granting the authorization or issuing the permits; the issuance and effective dates of each authorization or permit; the CALOX officer responsible for monitoring or complying with each authorization or permit; and future compliance and communication procedures.

CALOX will prepare¹³ a consolidated annual report on the compliance status of all E&S and OH policies and measures applicable to the Project, including the progress of EMS actions against established KPIs; as well as the compliance status of the IDB Invest Environmental and Social Sustainability Policy. Based on the results of these internal or external audits, CALOX will determine specific actions to reduce impacts and improve efficiency, documenting and reporting on its progress and new procedures, as well as on other certifications, depending on the country in which the facility is located.

4.1.h Stakeholder Engagement

CALOX has identified all social stakeholders, including local authorities, interested in its operations and maintains an open and ongoing dialog with them. However, the Company will develop and implement a Social Stakeholder Engagement Plan, which will include: (i) updated identification of all social stakeholders, including local authorities, neighbors, and nearby communities (within a 500 m radius of each facility); (ii) differentiated measures that permit effective participation of the most vulnerable or disenfranchised groups; (iii) a mechanism to ensure that community representatives properly represent the views of the affected communities; (iv) details of how information will be disseminated to social stakeholders; (v) details on the process for social stakeholder participation in these communities and how they will be able to access the grievance mechanism; (vi) procedures for regular reporting on the Company's environmental and social performance to social stakeholders and the general public; and (vii) mechanisms to implement and disseminate the updated procedure to all personnel as part of a training program.

¹³ Either internally (internal audit) or through an external independent E&S expert (external audit).

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External Communication

As part of the EMS, CALOX will develop and implement a Corporate External Communication Procedure for receiving information requests from external stakeholders and how to record and address with these requests. This procedure will: (i) ensure that all communications are carried out carefully, responsibly, and efficiently; (ii) determine official and efficient external communication channels (reports, websites, press releases, social media, social events, etc.), based on the social stakeholders being interfaced; (iii) define protocols for interviews with authorities and social stakeholder representatives, social stakeholder briefings, and media and social media management; and (iv) identify the work team responsible for its implementation.

4.1.i.ii Grievance Mechanism for Affected Communities

CALOX has electronic means (email), a telephone number, and social media spaces to capture complaints about the quality or condition of its products (medicines) or about the level of service provided, and procedures to address and resolve them. However, the Company will strengthen this process and convert it into an external grievance mechanism that documents how the complaint was received; who made the complaint (customer, community, social stakeholders); how it was classified, processed, evaluated, and resolved; how the complaint was responded to and followed up; how it was closed; and how the EMS was adapted or improved in terms of communication and information disclosure.

4.1.j Ongoing Reporting to Affected Communities

CALOX, through its Social Stakeholder Engagement Plan, will provide reports on the Company's E&S performance to the communities and to those who request it.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

4.2.a.i Human Resources Policies and Procedures

CALOX has a Code of Ethics that is mandatory for all personnel and suppliers of goods and services who wish to do business with the Company. This code establishes: (i) the CHARP values; (ii) business ethics and the conditions for relating with workers, customers, suppliers, regulators, and public (government) agencies, and with the community; (iii) the working conditions and conduct of employees, managers, and contractors; (iv) how to proceed in situations of conflict of interest; (v) the management of confidential information and the prevention of fraud and corruption; (vi) the obligations to comply with and responsibilities of this code; and (vii) the whistleblower mechanism.

In compliance with the Costa Rican Labor Code, the Company also has an Internal Labor Regulation ("RIT", for its acronym in Spanish) that contains the rules and conditions related to: working and rest days and hours; vacations; days and places of payment; leaves of absence and sick leave; rights and obligations of both the company and employees; child labor, protection of women and non-discrimination and harassment; health and safety, occupational hazards and medical services; behavior and disciplinary

measures; risk prevention; and, in general, compliance with labor laws, including the standards and principles established by the International Labor Organization (ILO) and other organizations that determine labor standards.

As a complement to the Code of Ethics and the RIT, the Company, through its Human Resources ("HR") Department, has policies for: (i) Inclusion and Diversity; (ii) Incorporation and Onboarding; (iii) Recruitment and Selection; (iv) Performance Evaluation; (v) Personnel Training; and (vi) Sexual Harassment (hereinafter "Labor Policies").

4.2.a.ii Working Conditions and Terms of Employment

The provisions contained in the Code of Ethics, labor policies and RIT comply with the requirements of PS-2 and with Costa Rican labor¹⁴ and OH¹⁵ legislation and regulations. These provisions regulate the form and conditions of personnel selection and hiring; working days and hours, and their breaks; paid leaves; leaves of absence; flexible work schemes to promote collaboration and productivity; wages and benefits; employee and employer rights and obligations; conduct and disciplinary measures; asset security; risk prevention; and workers with disabilities, among others.

To reinforce awareness of these working conditions, the Company requires each employee to sign a Code of Ethics Understanding Slip and agree to report any actual, potential, or apparent deviation from the Code of Ethics.

CALOX recruits, selects, and hires talent through transparent, objective, confidential, and rigorous processes that guarantee respect for the principles of equality and non-discrimination. Additionally, within the Recruitment and Selection Policy, the Company states that the selection and hiring of personnel is based on the competencies, skills, professional experience, and the level of identification that the candidates have with the Company's values.

4.2.a.iii Workers' Organizations

Being subject to applicable local legislation, CALOX recognizes the rights of workers to form and be part of labor organizations, and respects and assumes all responsibilities derived from such legislation, including international conventions and treaties that countries have signed with the ILO.¹⁶ The Code of Ethics also recognizes the right to free association.

4.2.a.iv Non-discrimination and Equal Opportunity

Costa Rica is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 100 concerning Equal Remuneration and Convention No. 111 concerning

¹⁴ Law No. 2 - Labor Code of August 26, 1943 and its amendments with the Labor Procedural Reform.

¹⁵ Construction Law No. 833 of November 10, 1982; Law No. 6727 of September 9, 1982, amended Section IV of the Labor Code; Decree No. 39321-MTSS National Occupational Health Policy. Decree No. 39408-MTSS, Regulation of Occupational Health Commissions and Offices or Departments, November 21, 2015. Executive Decree No. 13466-TSS, General Regulation on Labor Risks, March 24, 1982.

¹⁶ Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining.

Discrimination in Respect of Employment and Occupation. The Company, aside from fulfilling these provisions, establishes in its Code of Ethics and its Inclusion and Diversity Policy respect for individual diversity and equity, proceeding with justice, equality and impartiality, seeking a positive and inclusive social impact.

The Code of Ethics and the CALOX Inclusion and Diversity Policy reject any attitudes of discrimination, harassment, abuse, and workplace harassment, as well as the Company's commitment to promote an environment in which no applicant, employee, service provider, or contractor is excluded or discriminated against in an external or internal selection process for reasons of ethnic or national origin, gender, age, disability, social status, health conditions, religion, immigration status, opinions, sexual preference, marital status, or any other factor that violates human dignity.

4.2.a.v Grievance Mechanism

The means of reporting or complaining about any inappropriate conduct, ethically questionable performance or non-compliance with labor policies, CHARP values, and the CALOX Code of Ethics is through the Whistleblower Mechanism. Any employee, customer, supplier, government official, member of civil society and, in general, any interested member of the public may submit complaints verbally or in writing, confidentially or openly, to the immediate supervisor, the HR Department, or the Ethics Committee.

Both the immediate supervisor and the HR Department document all complaints in writing, maintaining absolute confidentiality on the subject, and refer them to the Ethics Committee, which, in turn, investigates, determines the corresponding sanctions, and responds both to the complaints and to any request for clarification on the interpretation of the code. When the nature of the facts implies a violation of the country's legal regulations, the Committee is called upon to make the decision, to summon or incorporate the technical advisors it deems necessary, and to bring such circumstance before the competent authorities, with prior authorization from the Chairman's Office and the Company's Legal Department.

The HR Department keeps a record of all complaints filed and their respective resolutions.

4.2.b Protecting the Workforce

CALOX, in compliance with all legal labor obligations in Costa Rica, regulates labor relations respecting the minimum rights and obligations of employees and employers. The Company also promotes equality and equity in human, civil, political, economic, social, and cultural rights between men and women.

The Code of Ethics establishes that the Company's employees, contractors, third party workers, and suppliers have the obligation to comply with all applicable laws and regulations in each country where they carry out their activities.

4.2.c Occupational Health and Safety

CALOX, in compliance with the OH regulations established by the Ministry of Labor and Social Security (MTSS, for its acronym in Spanish) and with the provisions of the National Emergency Commission, has Occupational Health Programs and Emergency Plans for each plant of the Project. These plans contain the

guidelines and behaviors to be followed to protect the physical integrity of the Company's employees, prevent injuries and damage to their health, as well as to avoid affecting the safety of the processes through the implementation and execution of industrial safety procedures, the identification of hazards, the evaluation of risks, and the establishment of risk prevention, correction, control, or transfer measures.

For all risky work as defined in the Safe Work Analysis by Job and Risk Matrices by Areas, the Company requires all its contractors to present proof of work skills and work permits duly authorized by the Occupational Health and Safety and Environment area; as well as evidence of training of contractors and subcontractors in the areas of: GMP, Occupational Health and Safety ("OHS"), and Property Physical Safety ("PPS"), as established in the Operating Procedure for Incorporation and Service Performance of Contractors and Subcontractors for CALOX de Costa Rica.

Based on the guidelines of the Ministry of Health and the Government of Costa Rica, the Company has prepared a preventive measures manual against COVID-19 with actions focused on: (i) employees, recommending awareness actions, sanitary barriers, social distancing, suspension of travel, remote work, and support for vulnerable groups; (ii) clients, ensuring constant communication to meet established commitments and maintain customer service as a priority; (iii) operations, ensuring operational continuity, disinfection routines, the reduction of people in each work space, canteen services offering take-out food, and social distancing; and (iv) the community in general, where a call for support for the most vulnerable population is made through the CSR team.

4.2.d Workers Engaged by Third Parties

In accordance with the provisions of the Code of Ethics, all of the Company's labor standards, policies, and procedures apply equally to its employees, customers, suppliers, contractors, and other third parties. The permanence of employees, both own and those engaged by third parties, depends on compliance with the provisions of the Code of Ethics, as well as with applicable laws and regulations. These measures are reinforced through contractual clauses that have been incorporated into service contracts.

4.2.e Supply Chain

The Code of Ethics establishes that the Company rejects and prohibits child labor and forced labor; prevents relating its business activity to any product or service that employs them; and requires CALOX to ensure compliance with applicable laws and conventions ratified by Costa Rica, including those relating to child labor.

Nevertheless, the Company will update the general guidelines of the Operating Procedure for Requirements, Commitments, and Obligations of Suppliers of Goods and Services with the Environment to incorporate the need for each supplier, either as part of the acceptance of the Code of Ethics or of any other applicable binding instrument, to ratify its compliance with (i) the labor and OH legislation in force, in particular the prohibition of child labor and forced labor, non-discrimination, gender equality, and ensuring safe working conditions, and (ii) applicable environmental legislation, in order to minimize environmental impacts by controlling its emissions into the atmosphere, the proper handling and treatment of liquid and solid waste, and the rational consumption of natural resources in its processes.

In addition, the Company will update its Operating Procedure for Contracts with Suppliers and Contractors so that during the evaluation of the supporting documents for contracts with suppliers and contractors,

the monitoring carried out by the Company's Property Safety, Occupational Health and Environment Coordinator includes a review of compliance with the applicable environmental, labor, and OH legislation in force.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Between 2015 and 2018, CALOX measured its carbon footprint to improve its environmental performance, focused on obtaining "carbon neutrality" and an associated certification. In addition, as part of the EMS, the Company is developing a Procedure for the Control and Treatment of Air Emissions, in order to reduce these emissions to the minimum possible and contribute to reducing the risk to people and the environment in general.

In this sense, the Company will carry out an annual inventory of greenhouse gas (GHG) emissions for its operations, in which it will quantify both direct emissions from fuel consumption (Scope 1) and indirect emissions from electricity consumption (Scope 2).

The Project's Manufacturing Plant has emission control systems or equipment to keep gas and particulate emissions under control and to comply with applicable and current standards.¹⁷

4.3.a.ii Water Consumption

Water consumption at the Project's Manufacturing Plant will be kept at the estimated historical averages (approx. 6,788 m³/year), in accordance with the volumes authorized by the water supplier, the Public Water and Sewer Service of Costa Rica ("AyA", for its Spanish acronym). Drinking water provided by the public water supply system is sampled daily by personnel from the Microbiology Laboratory to verify that it meets both human consumption standards and those required for process water.

The Company has adopted measures to reduce and optimize the use of water in its operations, such as: (i) the replacement of obsolete or broken devices with state-of-the-art technology to reduce consumption and avoid waste; (ii) the implementation of leak detection and repair programs; and (iii) the implementation of water use awareness campaigns.

4.3.a.iii Energy

The Project will not generate a significant increase in the historical average energy consumption (approx. 135,690 KWh/year). It will be provided through the public grid and under a service contract with Compañía Nacional de Fuerza y Luz ("CNFL"). The Company uses an average of 4,000 liters of liquefied petroleum gas ("LPG") per month for its boilers, employee cafeterias, and laundry equipment, and it has an auxiliary power plant that consumes an average of 150 liters of diesel per year.

¹⁷ Executive Decree No. 36551-S-MINAET-MTSS of 2011; Regulation on Emission of Indirect Type Air Pollutants from Boilers and Furnaces.

The Company has adopted initiatives to minimize energy consumption, which include: (i) the progressive installation of LED¹⁸ lighting fixtures; (ii) the installation and replacement of equipment with other energy efficient equipment; (iii) turning off unused equipment; (iv) preventive maintenance of equipment, to increase its performance; (v) use of natural light in as many areas as possible; and (vi) training employees on energy savings.

4.3.b Pollution Prevention

4.3.b.i Waste

CALOX, in compliance with environmental and health legislation, reports the volumes of ordinary (non-hazardous) waste and waste that requires special handling, as well as wastewater discharges to the municipal sewer system. In this regard, the Company has a Procedure for Compliance with Legal Requirements Regarding Wastewater Generation,¹⁹ which includes the monitoring of environmental controls and biannual audits for inspection of environmental parameters that include legal compliance of wastewater discharges, validated by an authorized laboratory.

CALOX currently separates, classifies, and temporarily stores the solid waste produced at its facilities and contracts an external manager authorized by the Ministry of Health for the removal, transport, and management of the ordinary (non-hazardous) solid waste produced, either for subsequent valuation or for final disposal in an authorized landfill.

The Company has a Waste Management Plan²⁰ and a Procedure for the Handling and Disposal of Ordinary Waste and Materials for Recycling (recoverable) that promotes education campaigns on the 3 R's (reduce, reuse and recycle) for all personnel and suppliers, as well as initiatives to classify and record (by weight or volume) its solid waste into: (i) organics from canteen waste, which correspond to damaged products that are discarded; (ii) recyclables (cardboard, paper, plastics, wood, metals, etc.); (iii) ordinary, i.e. non-hazardous waste that is not in the previous categories; and (iv) special handling or hazardous waste, as defined by environmental regulations. In addition, the Company conducts training campaigns for its employees and awareness campaigns for its suppliers on issues related to the use of single-use waste and integrated waste management.

4.3.b.ii Hazardous Materials Management

CALOX has general procedures for handling hazardous solid waste, hazardous materials, and for emergency response to address any incident involving such waste or materials. These procedures aim to identify, control, minimize, give value to, and comprehensively manage hazardous waste, and promote a culture of reduction, starting with the elimination of the use of this type of waste or its substitution with non-hazardous products. They also have instructions to determine the measures for the collection and internal transportation to a temporary storage space for each type of hazardous or infectious biological waste (in the case of those coming from medical services or generated by medical emergencies) according

¹⁸ LED (Light Emitting Diode).

¹⁹ In compliance with Decree No. 33601-MINAE-S of 2006, Wastewater Discharge and Reuse Regulations.

²⁰ In compliance with Executive Decree No. 37567-S-MINAET-H of 2012, General Regulations to the Law for Integral Waste Management.

to the process established in the Waste Management Program in keeping with local legislation;²¹ as well as the use of an external manager authorized by the Ministry of Health for permanent removal or final disposal in authorized landfills.

Similarly, the Company has a procedure for the safe storage of hazardous materials which, in line with regulations, safety data sheets for each product, official safety standards and procedures, contains a compliance checklist for each hazardous substance, according to its characteristics.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

CALOX operates the Project's plants using environmental, manufacturing, OH, and storage, distribution and transportation practices required by the Ministry of Health to obtain the Sanitary Operating Permit.

4.4.a.i Infrastructure and Equipment Design and Safety

All of the Project's facilities, CEDIs, and manufacturing plants are in compliance with national fire protection standards,²² which refer to the international standards of the National Fire Protection Association ("NFPA").²³ The Company also has specific procedures for the use, operation, and inspection of alarms and fire protection equipment (portable fire extinguishers, sprinklers, etc.) and for the formation, operation, and training of emergency brigades.

Every 2 years, during the renewal of the Sanitary Operating Permit granted by the Ministry of Health, an audit of the Emergency Assistance Plan must be carried out to inspect and verify the installation and distribution of all fire protection equipment, as designed, and its operation according to the provisions of the National Emergency Commission.

4.4.b Security Personnel

CALOX has a security and surveillance service provided by a duly registered specialized security company. The Company ensures that all security personnel working in its facilities and plants have been duly registered and certified to perform their duties.

However, the Company will include provisions in the corresponding service contracts allowing it to: (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record and have not engaged in abuse; (ii) verify the details of any required training on the use of force; (iii) verify any restrictions or procedures used for the use of firearms; and (iv) identify the details of environmental training and social awareness, including human rights.

²¹ Executive Decrees No. 27001-MINAE on Industrial Hazardous Waste; No. 41527-MINAE Regulating the Management of Industrial Hazardous Waste; and No. 36039-S on the Final Disposal of Medicines, Raw Materials, and Their Residues.

²² National Fire Protection Regulations, approved by the Board of Directors of the Costa Rican Fire Department; Session 0163 of October 29, 2020.

²³ Decree No. 37615-MP of 2013, Regulations to Law 8228 of the Meritorious Fire Department of Costa Rica and its Reforms by Executive Decree No. 41196-MP of 2018.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not involve any new development, but does include the acquisition of the property (currently leased) where its manufacturing plant is located. Due to these existing conditions, no involuntary physical or economic displacement is foreseen.

4.6 Biodiversity Conservation and Natural Habitats

Because the Project does not involve new properties or the development of new works or infrastructure, no significant impacts on vegetation or disturbance of biodiversity is expected.

No impact is expected either from the purchase of raw materials since, due to the Project's industrial line of business (pharmaceuticals), these materials are regulated by the Ministry of Health and audited for the granting or renewal of the health permit required to operate.

4.7 Indigenous Peoples

The Project does not involve any new property development and is located within established industrial zones, so no impacts to indigenous peoples' lands or resources are foreseen.

4.8 Cultural Heritage

The Project does not involve any new property development and is located within established industrial zones, and therefore no impact to cultural heritage is expected.

5 Local Access of Project Documentation

CALOX provides additional information about its responsibility to customers and the community on its website <https://caloxca.com/quienes-somo/>. In addition to publishing its commendations on its web site <https://caloxca.com/>.