Environmental and Social Review Summary (ESRS)
LAKI – El Salvador, Guatemala, Honduras

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1. General Information of the Project and Scope of IDB Invest's Environmental and Social Review

Latin America Kraft Investment, Inc. ("LAKI" or the "Company") is in the business of design, prepress, production and sale of materials for corrugated, folding, flexible and premium packaging, plastic containers, paper bags, labels, and chipboard wraps. The Company operates in Central America, Mexico and the USA; its shareholders, Q Corporation and Sigma S.A., are jointly known as SigmaQ. LAKI is SigmaQ's holding company and has been listed on the Latin American Stock Exchange since 2015. For this reason, several of LAKI's corporate documents bear the seal of SigmaQ. The Company has 11 production plants and operations in 13 countries[1].

This transaction consists in financing for short-term working capital and the supply chain (the Project) to support the Company's recovery and growth after the pandemic in six plants or subsidiaries: three in Guatemala (Copacasa, Litozadik, Cegsa), two in El Salvador (Carsa and Specialty Products), and one in Honduras (Canasa). These plants are mainly engaged in the production of different forms of packaging, namely with corrugated cardboard, folding, luxury, and flexible.

The Project's E&S due diligence (ESDD) assessed the Company's technical, environmental, and occupational health and safety (OHS) documentation. It also included a field visit to the plants in Guatemala, as well as virtual interviews with the teams engaged in such issues as quality, environment, human resources management, and OHS. LAKI is a new client for IDB Invest.

2. Environmental and Social Categorization and Rationale

In compliance with IDB Invest's Environmental and Social Sustainability Policy, the Project has been classified as aCategory B, because it may generate the following potential risks and impacts, among others: (i) potential fires; (ii) labor and OHS risks for the workers and the supply chain; (iii) generation of solid waste (hazardous and non-hazardous) and liquid waste (industrial and wastewater); and (iv) air pollution from emissions of volatile organic compounds, combustion gases and particulate matter from the boilers. These impacts and risks are estimated to be moderate and will be easily handled from the Project perspective.

The Performance Standards ("PS") triggered by the Project are: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS2: Labor and Working

[1] El Salvador, Guatemala, Honduras, Mexico, the USA, Costa Rica, Panama, Nicaragua, Dominican Republic, among others.

Conditions; (iii) PS3: Resource Efficiency and Pollution Prevention; (iv) PS4: Community Health, Safety and Security.

3. Environmental and Social Context

3.1 General characteristics of the Project's site

The Project affects LAKI's operations in Guatemala (three plants), El Salvador (two plants) and Honduras (one plant). Even though all plants are located in industrial areas, Litozadik's (Guatemala) has been reached by the urban sprawl and is now in a mixed area with residences surrounded by industrial facilities.

As to the plants in Guatemala, Copacasa's is located in the Municipality of Masagua, Department of Escuintla in the south-central area, whereas Litozadik and Cegsa's are in a peri-urban industrial area in the capital city. The plants in El Salvador (Carsa and Specialty Products) are in the Department of San Salvador. Canasa is in the Municipality of San Pedro Sula, Department of Cortés, Honduras.

The largest plant is Copacasa (15,719 m^2)[2], followed by Carsa (15,117 m^2), and Cegsa (11,300 m^2), Litozadik (11,400 m^2), Specialty Products (11,178 m^2) and Canasa (8,157 m^2).

3.2 Contextual risks

Violence, insecurity, lack of transparency and respect for labor rights are the most important problems in all three countries where the Project will be developed, even though their intensity varies depending on the country and the region.

In the departments of Guatemala and Escuintla in Guatemala, the Department of Cortés in Honduras, and the Department of San Salvador in El Salvador, the main risk factors are associated with violent crimes and natural disasters caused by earthquakes, storms, droughts and hurricanes. Moreover, there are risks involving gender, social cohesion and politics, which are not detected at national level in those countries.

The Project is also vulnerable to social threats, like vandalism and demonstrations. However, these threats represent a moderate to low risk for the damages they might cause to the physical infrastructure of the plants, and to personnel and suppliers.

Water extraction is not regulated in Guatemala. Increasing population and the lack of proper regulations (like municipal development plans for water resource management and regulations to handle water use), together with deficiencies and poor implementation, negatively affect its availability and quality, thus leading to the over-exploitation of the aquifers supplying the region, and the pollution of almost all water bodies.

[2] Based on the building rooftops that can be used to collect rainwater.

LAKI's risk management plan will take these contextual risks into account.

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

4.1 Assessment and management of environmental and social risks

4.1.a E&S Management System

In 2022, LAKI implemented an Environmental Management System (EMS), including processes to monitor, control, prevent and mitigate environmental risks. This system aims at a cleaner production and better use of the resources in the value chain. It seeks to guarantee compliance with the environmental legislation, identify and mitigate adverse risks and impacts, establish an organizational structure with well-defined responsibilities, and set up environmental controls.

The ESMS includes several tools for its implementation: a map and analysis of environmental risks; an eco-map, showing the physical aspects of the activities and the environmental impact of each productive process; an eco-assessment of supplies, waste and finished products involved in each process; a set of eco-indicators to measure the effectiveness of the system; an eco-design process to minimize resource consumption and waste; and a set of eco-programs to generate a positive impact.

All Project plants have a valid ISO 9001 (quality) certificate until 2025 or 2026. The only plant that needs to renew this certification this year is Carsa. Moreover, all plants working with paper or cardboard as raw material have the FSC chain of custody certification[3].

The Company has a corporate legal compliance matrix in place, which is constantly updated and which details the legal requirements to be complied with as per each country and government entity. The matrix indicates the issuance date of the requirement, as well as its validity period, expiration date and process status.

LAKI has all the necessary permits to operate.

In order to minimize the waste generated and to reintroduce it into the productive processes as raw material, LAKI is developing a sustainability strategy linking its ESMS with the UN Sustainable Development Goals (SDGs), mainly based on the circular economy and the bioeconomy.

LAKI will enhance and expand its ESMS to include social aspects and align it with the international best practices like the General Environment, Health and Safety Guidelines[4]. The Company will communicate these updates and will disseminate them internally and externally.

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[3] Forest Stewardship Council (FSC) is a forest management certification confirming that the forest is being managed in a way that preserves biological diversity and benefits the lives of local people and workers, while ensuring it sustains economic viability. There are ten principles that any forest operation must adhere to before it can receive FSC forest management certification (www.fsc.org).

[4] https://www.ifc.org/content/dam/ifc/doc/2000/2007-general-ehs-guidelines-es.pdf

4.1.b Policy

The Company has implemented an environmental policy stating its commitment to conducting business "responsibly, encouraging an environmentally friendly culture and sustainable development". This policy is proof that the Company is committed to: complying with the environmental legislation; increasing energy efficiency in its processes; responsibly managing water and treating the waste it produces; using technologies to prevent pollution and reduce emissions; manufacturing products following the eco-design; carrying out periodic assessments; and informing the Company's stakeholders about its performance.

4.1.c Identification of risks and impacts

LAKI has an ESMS in place with emergency and contingency plans to identify environmental and OHS risks. However, the Company is yet to prepare a structured system to analyze the direct and indirect risks. Thus, LAKI will take action to identify the risks for each plant and job position.

4.1.c.i Analysis of alternatives

Since the Project will be carried out in the Company's existing facilities, no alternatives outside the current footprint were considered; several technology options were analyzed though based on their economics and efficiencies (in terms of electricity and water consumption).

4.1.c.ii Cumulative impact analysis

Given the Project characteristics, the added effects that are generated by other ventures are immaterial. Therefore, a plan to mitigate cumulative effects is not required.

4.1.c.iii Gender risks

The feeling of insecurity and the acts of sexual violence are everyday issues women have to face in the countries where the Project will be developed, especially in open spaces (streets and parks) and the public transport.

LAKI's Code of Conduct ratifies its commitment to offering a healthy work environment and mentions some actions to prevent gender violence, such as activities to raise awareness and educate about sexual harassment.

The Municipality of San Pedro Sula in Honduras, where the Canasa plant is located, recorded the largest amount of reports on gender-related crimes against integrity, accounting for 24% of such reports nationwide and being even higher than in the central district. In addition, this municipality ranks second in terms of violent deaths of women in 2022.

The departments of El Progreso and Escuintla in Guatemala, where the Copacasa plant is located, recorded in 2022 the largest increments in the number of femicides and other forms of violence against women, as compared to the figures for 2020.

Gender violence, a common problem in the three countries, represents a significant risk for the psychological and physical integrity of the women employed by the Project. LAKI includes them in its risk matrix to protect its female workers.

4.1.c.iv Gender programs

LAKI promotes non-discrimination and equal opportunity when seeking and promoting human talent. The Project is not expected to impact men and women differently; instead, it is anticipated to generate equal job opportunities. The activities of the Project will not enable gender violence or pimping.

LAKI and its subsidiaries have included provisions to guarantee women working in their facilities are treated properly by: (i) providing separate locker rooms and showers by work area and gender; and (ii) adopting zero tolerance policies in the event of gender violence in its Code of Conduct. This means that any behavior contrary to the guidelines in the Code of Conduct is investigated and analyzed by the Company, and it is subject to corrective and disciplinary measures.

4.1.c.v Climate change exposure

The Company's six plants are exposed to hurricane force winds and droughts, the latter expected to increase moderately in the future. The Copacasa plant is also exposed to threats of wildfires and floods, as this is the only one based outside urban areas, in lowlands near extensive sugar cane fields.

In Guatemala, only the Copasa plant devised an emergency plan in 2023. Therefore, LAKI will update and prepare emergency plans for all its plants to include the most relevant climate change scenarios.

Every year since 2021 LAKI has responded the CDP (formerly, the Carbon Disclosure Project) questionnaire[5] on water security for the Litozadik plant, and on climate change for the Litozadik and Canasa plants (reporting on their emissions and production intensity).

The Project is consistent with the climate adaptation plans and priorities of Guatemala, Honduras and El Salvador, as shown in the nationally determined contributions (NDCs) and the adaptation communication of each country.

4.1.d Management programs

[5] CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate and city action. https://www.cdp.net/en

LAKI's ESMS has implemented several management programs, called "eco-programs", covering issues like waste management; chemical management; physical, chemical and biological characterization of affluents and effluents; and pipeline cleaning and mapping.

LAKI's subsidiaries use a platform called Health, Safety and Environment (HSE) Tracking (managed by the eco-managing team) to record such eco-indicators as production volumes, volume of electric power consumed, volume of fuel used; volume of fugitive emissions, volume of water consumed, collected volumes, volume of waste managed at the treatment plants, waste volumes.

LAKI assesses its suppliers following the provisions in two manuals, which do not consider environmental or social risks in the supply chain. Thus, the Company will implement a supplier selection and assessment procedure (SSEP) to identify the environmental and social risks of its primary supply chain.

4.1.e Organizational capacity and competency

LAKI has a Quality Department, to which the Heath, Safety and Environment Area reports, run by a manager based in El Salvador and supported by coordinators in health and industrial hygiene, an environmental coordinator and a management system coordinator at each plant.

The ESMS establishes training in preventive and corrective matters. Preventive matters are related to environmental management and control, and waste management, whereas corrective matters include footprint control, eco-labelling, and industrial waste treatment, etc. Training on wastewater are approached from the preventive and corrective perspectives, and include topics like effluent reutilization, the use of treated wastewater, effluent discharge control, and the water quality parameters that must be observed, etc. Moreover, LAKI trains its workers in the content of the SDGs and how the Company is contributing to reach them.

4.1.f Emergency preparedness and response

LAKI has implemented contingency and emergency plans for the Copacasa (approved in 2023), Specialty Products (2024) and Canasa (2024) plants, which include different scenarios like fires, gas leaks, chemical spills, earthquakes, pandemics, strong winds, vandalism, etc. The plans, in line with the requirements of the local legislation, contain the local emergency contact information, provide maps indicating the location of the emergency material and equipment (extinguishers, axes, hoses, etc.), describe the evacuations routes and establish guidelines to make up the emergency response teams.

LAKI will prepare emergency prevention and response plans for the Litozadik, Cegsa and Carsa plants, check they comply with the applicable local legislation and the IFC (International Finance Corporation) General Environment, Health and Safety Guidelines.

LAKI's six plants have fire protection systems in compliance with the local requirements. However, to improve the fire protection systems and based on the initial analysis performed by a certified company, the Company has prepared a comprehensive fire protection plan for each of its six

plants. Additionally, LAKI will complete a gap analysis of its system against the standards of the National Fire Protection Agency (NFPA) and implement the measures needed to close those gaps.

4.1.g Monitoring and review

The Company's ESMS states that the environmental aspects of its processes shall be reviewed every six months, as part of an annual internal audit that assesses compliance with the goals in the industry management plan.

4.1.h Stakeholder engagement

Even though LAKI encourages open, transparent communication with the community, it still has not produced a mechanism that favors their engagement. So, it will devise a stakeholder engagement plan which will (i) identify the types of stakeholders that may be interested in or affected by its operations; (ii) define the channels to communicate with them; (iii) detail how the stakeholders and the general public will be informed regularly about the environmental and social performance; and (iv) define who will be the person inside the Company to liaise with the communities.

4.1.i External communication and grievance mechanisms

4.1.i.i External communication

The Company is committed to conducting business with transparency and honesty, encouraging seamless information to inform the population about its goals, mission, vision, pillars or values, policies and management system. To such an end, it uses external digital communication mechanisms (web page, emails and social media), takes part in several events organized with the community, promotes visits from the communities to its plants, discloses written information through brochures, and collects information via surveys, especially customer satisfaction surveys.

LAKI has produced a sustainability report since 2021, which summarizes its environmental performance and mentions, among other things, the philanthropic work it has done in favor of some stakeholder groups and neighboring communities.

4.1.i.ii Community grievance mechanism

The Company still has no formal external grievance mechanism in place. For this reason, LAKI will adopt a mechanism to receive and manage the grievances and claims from the community at its different locations. The mechanism, which will cover procedures to collect grievances from the vulnerable groups and will help channel anonymous claims, will be broadly disseminated both internally and in the neighboring communities.

4.1.i.iii Reporting to affected communities

LAKI informs about its environmental performance and social philanthropic work in its web page and its sustainability report. It also provides information about its community and employee support actions and projects carried out by Fundación SigmaQ. Founded in 1974, Fundación SigmaQ is LAKI's philanthropic arm, which seeks to invest mainly in education and health for vulnerable groups.

4.2 Labor and working conditions

4.2.a Working conditions and management of worker relationships

The Company employs about 2,300 people across the board, nearly 32% of whom were women by the end of 2023. It employs about 1,885 people in its six plants; 31% of them are women. A total of 34% of these women hold managerial positions.

LAKI offers its workers educational programs, such as a leadership academy, a supervisors' academy and a program to enhance employee potential. In 2023 LAKI administered over 300 training sessions company-wide, which have been attended by 2,300 workers. Also in 2023 LAKI promoted 190 people internally.

4.2.a.i Human resources policies and procedures

LAKI has a human resources policies manual, a Code of Conduct, a policy to deal with conflicts of interests, a personnel recruitment and selection policy, an onboarding policy, a benefits policy, and training policy, as well as instruments that define the employees' rights and obligations.

As part of the onboarding process, all new hires must complete a form accepting the Code of Conduct. This form is part of the onboarding process, and aims at making sure that all new employees know the Company's behavioral standards and principles.

4.2.a.ii Working conditions and terms of employment

Although the work days may vary depending on the production process of each plant, generally speaking, the work week comprises 48 hours for daytime shifts, 45 hours for mixed shifts, and 42 hours for night shifts. Regardless the above, all workers have a mandatory rest day per week, and half an hour daily for a meal break.

In the last five years there have been no strikes, protests or work-related problems at the Company.

4.2.a.iii Workers' organizations

Although LAKI's workers are not unionized, the Company respects the principle of freedom of association without retaliation for its employees, observing and assuming all the responsibilities derived from enforcing the applicable labor laws of each country.

4.2.a.iv Non-discrimination and equal opportunity

LAKI promotes equal opportunity and non-discrimination. As part of the human resources policies, it offers equal opportunity to its workers without discrimination based on race, color, gender, age, nationality, ethnical origin, religion, belief, sexual orientation, marital status, disability, political views or any other issue of this nature.

4.2.a.v Retrenchment

The Company is currently expanding and has no plans (or previous experiences) for retrenchment.

4.2.a.vi Grievance mechanism

LAKI has an internal grievance mechanism in place, which collects the grievances in different ways: general or area meetings, email, mobile messages, electronic platforms (Google Drive, Intranet, WhatsApp), organizational climate surveys, a dedicated hotline, or suggestions boxes that can accept anonymous complaints.

Additionally, the Ethics Committee, formed by the Human Resources Manager, the Legal Affairs Manager and the Business Development Vice-president, receives the reports of breaches of the Code of Conduct and meets to analyze and determine the next actions on a case-by-case basis.

4.2.b Protecting the workforce

The Company acknowledges OHS as a right for all workers. In each plant there is an industrial safety coordinator, who reports to the Head of the Health, Safety and Environment Department.

In 2023, LAKI organized several healthcare campaigns, including medical checkups as well as campaigns on nutritional monitoring, deworming, oral care and vaccination, etc. The Company holds medical practices at each plant as well as breastfeeding rooms in some of them, where required by the amount of women workers.

Some of the plants have enough room to play football, basketball and volleyball, as well as for swimming pools, where intra- and inter-plants tournaments are organized and employees are encouraged to participate. Each plant has a cafeteria.

The Company is part of Fundación SigmaQ, which supports workers with scholarships, and social and environmental philanthropic activities. For example, in 2023, Fundación SigmaQ granted 163 scholarships to employees, for courses ranging from secondary education to master's studies.

4.2.b.i Child labor

LAKI does not support, promote or withstand child labor.

4.2.b.ii Forced labor

LAKI does not support, promote or withstand forced labor practices.

4.2.c Occupational health and safety

The Company has several rules applicable across the board to protect its workforce and safeguard their occupational health and safety. Some of them involve work at height; isolation, tagging and lockout; hot work; electrical safety; confined spaces; mobile equipment; and vehicle-pedestrian segregation, among others.

Although most workers are given personal protective equipment (PPE), some do not use it. Therefore, LAKI will look into the use of PPE per job position in the six plants, and subsequently implement procedures to assure provision and use, considering the worker's gender.

The plants record mostly minor accidents; for example, fingers being pinched, minor burns or heat strokes. The plant with the largest number of reported accidents is Specialty Products's, with 700 employees in total and 129 days of work lost in 2023. On the other hand, Cegsa's plant recorded the lowest amount of accidents, with 203 employees and less than one day lost in 2023.

4.2.d Provisions for people with disabilities

LAKI does not discriminate against workers with disabilities. However, given the nature of its production processes, it has no adapted accesses in the plants. The number of staff with disabilities is to date insignificant (two people) and they do office work.

4.2.e Workers engaged by third parties

LAKI's human resources policies, rules and procedures are applicable to indirect (outsourced) workers across subsidiaries.

4.2.f Supply chain

Apart from the stipulations in its Code of Conduct, LAKI assesses its suppliers in the light of the provisions in the following two manuals: (i) the Purchases and Logistics General Manual; and (ii) the Raw Material Purchase Manual. The Company dismisses all suppliers with practices that are not in line with its environmental and human resources policies. Suppliers are selected taking into account their compliance with the local laws over time, as well as the criteria of quality, service, price and adequacy in the Purchase and Logistics Manual.

Cardboard is the main raw material used in five plants[6], followed by pigments and resins to a lesser extent. The main suppliers of cardboard and paper are: (i) Copacasa's plant, contributing almost 50% of the cardboard, which is produced from recycled paper waste and (ii) six other companies (West Rock, Georgia Pacific, CMPC, Stora Enso and NewPort). About 30% of the cardboard and paper holds the FSC chain of custody certification. All Project subsidiaries are

[6] Carsa, Canasa, Cegsa, Litozadik, Copacasa.

certified by the FSC[7]. LAKI's raw material comes from a variety of sources: 23% derives from recycled material, whereas 77% is virgin material, with 8% and 25% FSC certified, respectively. Simply put, 41% of LAKI's raw material is FSC certified. LAKI will make efforts to increase the volume of certified raw material.

The Company will develop and implement a non-FSC supplier selection and assessment procedure to identify the environmental and social risks of their primary supply chain.

4.3 Resource efficiency and pollution prevention

4.3.a Resource efficiency

In 2023, in all six plants LAKI used about 75,584.17 gallons of liquefied petroleum gas (LPG); 7,250 gallons de diesel fuel; 1,195,476 gallons of bunker fuel (fuel oil); and 19,152 Mwh of electricity. The largest bunker fuel consumer is Copacasa with 691,536 gallons.

Resource efficiency is one of the pillars in LAKI's environmental policy. Thus, the Company has created an Energy Saving Committee to monitor the energy consumed at production. Moreover, LAKI is planning to install solar panels to lower the consumption of the electric power purchased from the public grid, and to analyze how to adapt the plants' rooftops to collect water, store it and use it later.

4.3.a.i Greenhouse gases

LAKI generates particulate matter (PM) and greenhouse gases (GHGs) from the operation of the boilers in the Copacasa, Cegsa, Carsa, Specialty Products and Canasa plants. The Company currently does not have in place any emission monitoring, control and mitigation plan. So it will prepare a GHG and PM monitoring plan, and will include corrective measures to comply with the applicable legislation and the established thresholds.

In 2023, total emissions (absolute value) in the six plants amounted to 24,466.48 tCO_2eq: 14,896.10 tCO_2eq related to scope 1 emissions and 9,570.38 tCO_2eq related to scope 2 emissions. Copacasa was the top emitting plant, followed by Cegsa, Carsa, Specialty Products and Litozadik.

4.3.a.ii Water consumption

In 2023, all six plants consumed about 346,803 m^3 of water. Copacasa recorded the highest water consumption level (270,000 m^3 approximately), followed by Carsa (24,444 m^3), Cegsa (18,248 m^3), Canasa (16,682 m^3), Specialty Products (11,443 m^3), and Litozadik (5,986 m^3).

[7] Litozadik, Canasa, Cegsa, Copacasa, Carsa and Specialty Products.

In general terms, most of the water used at the Project's plants is supplied by the municipal system. However, the plants located in Guatemala (capital) City (Litozadik and Cegsa) also extract water from wells, whereas Copacasa, located in Masagua, also in Guatemala, takes water from a surface water body, but do not record the volume extracted. It is worth noting that water extraction is not regulated in Guatemala; therefore, there is no proper record of the activity or any assessment of the reservoir health.

For its plants in Guatemala, LAKI will prepare a study of the surface and groundwater sources currently in use to determine their health, identify other users and establish water volumes and quality. This data will be used to perform consumption projections and determine how sustainable the supply will be in the next 15 years.

4.3.b Pollution prevention

LAKI uses a dashboard called "HSE Tracking", which apart from keeping track of the waste generated and received, includes indicators that help estimate the efficiency in the use of raw materials, energy and fuels.

Four of the six plants (Cegsa, Carsa, Specialty Products and Canasa) have wastewater treatment plants (WWTPs). The Company will set up a WWTP in Copacasa's plant.

All WWTPs will measure effluent quality and will comply with the thresholds set in the local law and in the IFC General Environment, Health and Safety Guidelines.

4.3.b.i Wastes

The main waste generated across the six plants is cardboard and paper, followed by wood (Litozadik) and plastic (Litozadik and Copacasa). The plants producing the largest volumes of waste are Litozadik, Cegsa and Specialty Products. Most of the cardboard and paper waste is transported to the Copacasa plant to be reprocessed and used as a raw material in other plants.

LAKI has implemented a waste management matrix based on the Mexican standard for comprehensive management of urban solid waste of the Environmental and Natural Resources Agency (SEMARNAT) and Chilean standard NCH 3322. Among other things, this matrix identifies the type of waste, its source, the container for segregation (color-coded), the staging place, the person responsible for managing and reporting it, and the documents required for reporting and disposal. LAKI will complete its matrix following the IFC General Environment, Health and Safety Guidelines that are applicable to waste management.

4.3.b.ii Hazardous materials management

The Company handles several hazardous materials, including fuel, like bunker oil (fuel oil), diesel and LPG. Other hazardous materials are caustic soda, used to take the gelatinization temperature of starch to values that enable greater process efficiency; the wastewater muds; and medical waste generated in the plants.

The Company has a waste management matrix including a hazardous waste section. LAKI will complete its matrix following the IFC General Environment, Health and Safety Guidelines that are applicable to hazardous materials management.

4.3.b.iii Management and use of pesticides

Plague control is managed by an authorized third party. No products classified as Ia (extremely hazardous) or Ib (highly hazardous) by the World Health Organization are used in the Company's facilities.

4.4 Community health, safety and security

4.4.a Community health, safety and security

While committed to being an active member of the communities where it operates, LAKI has entered agreements with local education institutions so that their students can carry out their internships or practices in the Company's subsidiaries.

4.4.a.i Emergency preparedness and response

The Company has prevention and emergency plans in place. However, to date no situations have arisen that have endangered the health or safety and security of the population.

4.4.b Security personnel

The physical safety of all LAKI's subsidiaries is in the hands of specialized companies, with unarmed guards responsible for protecting the facilities and controlling people's access to them.

4.5 Land acquisition and involuntary resettlement

The Project will not require the acquisition of land or produce involuntary resettlements, as it will occur within the Company's facilities.

4.6 Biodiversity conservation and natural habitats

Given the Project will develop within the Company's existing land, mostly used for industrial activities, no significant effects are expected on the biodiversity or the living natural resources.

Nonetheless, buffer zones for protected areas have been identified five kilometers away from the Canasa plants (protected area for the ecological reserve San Pedro Sula, Honduras) and the Litozadik plant (protective area of Manantiales Cordillera Alux, Guatemala). The Company has no plans to build or expand these plants.

On the other hand, and, in connection with the supply chain, as part of the ESMS, the Company will develop a procedure to identify, assess and manage the potential risk of conversion of natural or critical habitats.

4.7 Indigenous peoples

The Project will not affect any indigenous peoples.

4.8 Cultural heritage

The Project does not involve new property and is mostly located in industrial areas that are already established. Therefore, no significant impact is expected on the cultural heritage.

5. Local Access of Project Documentation

The documentation related to the project may be accessed to using the following link: https://laki.sigmaq.com/.