

Environmental and Labor Issues:

This is a category B project according to the IIC's Environmental and Social Sustainability Policy because it could pose environmental and/or social risks and impacts that are less adverse than those of a category A project, but which are generally limited to the project site, largely reversible, and can be mitigated via measures that are readily available and feasible to implement in the context of the operation. The main environmental and social considerations related to the project involve assessment and management of environmental and social risk and impacts, efficient resource use and pollution prevention, labor and working conditions, and community health and safety.

For their pharmaceutical manufacturing and marketing operations in Mexico, Stendhal and Maypo facilities include a plant located in the San Isidro Chicoloapan industrial zone (State of Mexico), two distribution centers in the State of Mexico (one in a Tlalnepantla industrial park and the other in the San Martín Obispo industrial zone), and corporate offices in Mexico City. All these facilities possess the relevant operating permits. Visits to the plant, Tlalnepantla distribution center, and corporate offices were carried out as part of the project environmental and social review process.

Assessment and Management of Environmental and Social Risk and Impacts: Stendhal's operations in Mexico are regulated by the Federal Commission for the Protection against Health Risks (Comisión Federal para la Protección contra Riesgos Sanitarios - COFEPRIS), a subagency of the Ministry of Health. Under the supervision and monitoring of COFEPRIS, Stendhal must comply with good manufacturing practices based on international health standards, Mexican regulations (NOM-059-SSA1-2013), and international protocols and conventions on biosecurity and bioethics applicable to the operation of laboratories and other health facilities in Mexico. In addition, Stendhal is certified under ISO 9001, and has implemented its international quality management standards.

Stendhal has a compliance policy in place. The policy incorporates principles of ethics and sustainability into its business activities. In 2012, Mexico's environmental protection authority (Procuraduría Federal de Protección al Ambiente - PROFEPA) awarded Stendhal a "Clean Industry Certificate" for its environmental performance in recognition of its plant's voluntary participation in the National Environmental Audit Program (Programa Nacional de Auditoría Ambiental - PNAA). In addition, Stendhal has a compliance officer who is responsible for safeguarding compliance with legal, ethical, and transparency guidelines governing the company's operations.

Efficient Resource Use and Pollution Prevention: The production process does not entail the use of chemical reagents or water expandable materials, which generate significant amounts of liquid waste. For the most part, the wastewater generated consists of sewage and liquid waste from equipment cleaning operations, which is subsequently discharged into the municipal sewerage system for treatment. The company possesses the relevant municipal permit for discharging wastewater in compliance with Mexican Official Standard No. NOM-002-SEMARNAT-1996. The IIC will require Stendhal to furnish it with the results of periodic testing carried out on of its wastewater discharges, which are to be conducted by an appropriately accredited laboratory.

The company operates a recycling program for waste (e.g., paper, cardboard, plastic, and scrap metal), which is turned over to licensed contractors. Any non-recyclable, non-hazardous solid waste is turned over to licensed contractors for final disposal at municipal sanitary landfills. Hazardous waste—e.g., out-of-date medicines, solvents, microbiological cultures, and blood—generated by the company's operations is temporarily stored under safe conditions and periodically collected by companies that are licensed by Mexico's Ministry of Environment and Natural Resources (Secretaría de Medio Ambiente y Recursos Naturales - SEMARNAT) for waste treatment and final disposal, in accordance with Mexican regulations and international good practices. The plant's environmental and occupational health and safety officer will ensure that all drums and containers of hazardous

waste are appropriately labeled at all times.

The Maypo distribution centers are equipped with cold-storage and temperature-controlled rooms to preserve pharmaceutical products, as required. These refrigeration and air-conditioning systems do not use ozone-depleting substances. The project does not involve bioprospecting activities (collection or extraction of genetic resources from any type of habitat) or the use of animals for research purposes and, therefore, does not threaten biodiversity under Performance Standard 6 of the International Finance Corporation.

Labor and Working Conditions: The human resources practices and policies observed at both Stendhal and Maypo promote fair treatment of and equal opportunities for workers (e.g., nondiscrimination, gender equality, prohibition of child and forced labor, and employment contracts that include a description of the position and its associated responsibilities, work hours, and holidays). All workers are provided with appropriate personal protective equipment and receive the necessary training for the duties they perform. A health and safety committee is in place, tasked with monitoring compliance with safe working conditions in the company's facilities. These practices form part of Stendhal's code of business conduct, with which all employees must comply. The code also includes the ethical responsibilities of employees.

Community Health and Safety: Stendhal and Maypo's facilities are located in industrial areas/parks and are equipped with safety signage, posted evacuation routes, smoke detectors, alarms, fire extinguishers, a hydrant-based fire suppression system, and a civil defense program. The companies also have emergency response plans in place and conduct regular drills.

Monitoring and Reporting: Stendhal and Maypo will prepare an environmental and social action plan (ESAP) acceptable to the IIC to ensure compliance with Mexican regulations and with the IIC environmental and workplace safety and health guidelines described in this review. The ESAP will include the preparation of an annual report on the monitoring of environmental parameters and the management of occupational health and safety issues.