

1. Scope of the Environmental and Social Review

The environmental and social review carried out by IDB Invest included meetings in the city of Choloma, Cortés Department in Honduras, which were attended by environmental and occupational health and safety managers, as well as staff from ELCATEX's legal, human resources and finance departments. Under this framework, an analysis of the Company's environmental, social, and occupational health and safety ("OHS") management process was carried out, as well its approach to supply chain management.

The environmental and social due diligence ("ESDD") process included visits to ELCATEX's facilities in Choloma on January 14-15, 2020, and a review of the following information, among other aspects: (i) the Environmental Measures Compliance Reports ("EMCR") that the Client submits annually to the Honduran Ministry of Natural Resources and the Environment (henceforth, "SERNA" or "MiAmbiente"); (ii) environmental management policies, plans, manuals and procedures; (iii) human resources ("HR") policies; (iv) OHS programs; (v) information on hazardous, non-hazardous and special waste management; (v) tracking and monitoring of environmental and workplace conditions (for example, atmospheric emissions, noise and effluents); and (vi) emergency plans.

2. Environmental and Social Categorization and Rationale

This transaction was classified as Category B in accordance with the IDB Invest Environmental and Social Sustainability Policy, as the environmental and social risks and impacts that it may generate are considered to be limited, largely reversible, may be managed through immediate measures that are available with current technologies, and may feasibly be implemented in the context of this operation.

The potential environmental and social risks and impacts related to the construction phase of the San Juan Textiles Project include: (i) the generation of hazardous and non-hazardous waste; (ii) the emission of pollutants into the atmosphere (mainly exhaust fumes from construction equipment and machinery, and dust); (iii) the generation of wastewater (primarily domestic); (iv) noise pollution; (v) the removal of vegetation in non-urban areas; (vi) the generation of vibrations; (vii) the increase of occupational health and safety risks; and (viii) the increase of health and safety risks in the community as a result of a rise in vehicle traffic. During the operation and maintenance ("O&M") phase, the risks tend to be related to the following: (i) employees' health and safety; (ii) the generation of solid waste (hazardous and non-hazardous); (iii) the generation of wastewater (originating primarily from industrial processes and, to a lesser extent, domestic use); and (iv) the use of resources such as electricity and water sources (primarily from on-site wells).

Due to its characteristics, the Project has triggered the following Performance Standards (PS): (i) PS 1. Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS 2. Labor and Working Conditions; (iii) PS 3. Resource Efficiency and Pollution Prevention; and (iv) PS 4. Community Health, Safety and Security.

3. Environmental and Social Context

ELCATEX has been dedicated to the manufacture of knitted fabric, trimmings and full package programs since it started operations in 1984. Its main objective is to establish an integrated textile center in Honduras to offer high-quality products to local and international markets.

ELCATEX's customers include highly renowned companies such as JCPenney, SanMar, Nordstrom, Target and Hanesbrands Inc. (HBI). The products offered include basic t-shirts, underwear programs, terry cloth hoodies with zippers, and pique polo shirts for men, women and children, among others.

ELCATEX's competitive advantages include: (i) its vertical integration (from weaving onwards); (ii) its strategic location in Honduras, just three days from the largest ports on the south-east coast of the United States ("USA"); and (iii) the free trade agreements in place between Honduras and the USA, Canada, the European Union and other Central American countries.

As part of its pursuit of innovation and sustainable development, ELCATEX is a regional pioneer in the generation of renewable biomass energy, as well as the implementation of water recycling initiatives which have reduced water consumption per pound of fabric by up to 80% and chemical product use by up to 50%.

The Company's compliance with national occupational health and safety regulations has been certified by the Honduran Ministry of Labor and Social Security. It has also received an international certification from Worldwide Responsible Accredited Production (WRAP), an institution which evaluates companies' performance against international standards and best practices in human resources management, health and safety, environmental practices, legal compliance and safety regulations for the import and export of products.

In July 2015, SERNA, which is now known as the Ministry of Natural Resources and the Environment ("MiAmbiente"), renewed ELCATEX's environmental permit and established a series of environmental control measures. Information on the implementation of these measures must be submitted to MiAmbiente and Choloma's Municipal Environment Unit ("MEU") each year through the EMCR.

ELCATEX also holds an operating permit issued by the Honduran Ministry of Economic Development.

San Juan Textiles Project

The San Juan Textiles Project is an industrial development being carried out by ELCATEX (henceforth, "the Developer") which consists of the construction and fitting out of a new textile factory and sewing plant that will also be integrated vertically. This plant will occupy a total area of 84,765.50 m², with a 73,330 m² industrial facility that will be located in San Juan Innovation Park EPZ in Choloma Municipality, Cortés Department.

The Project site is close to wetlands in the north-east of Choloma that are not recognized as a RAMSAR site or a protected area under the Honduran protected areas system. Additionally, the site is located within an agricultural ecosystem, and it can be verified that cattle raising activities used to be carried out at the Project site.

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 Assessment and Management System

ELCATEX has implemented a Safety Management and Control System ("SMCS") which operates as a

model for the Company's environmental and social management, and is integrated into all of its production operations and facilities. However, to ensure full compliance with PS-1, the Company must update its system to adapt it to the requirements of the International Finance Corporation's ("IFC") [1] Environmental and Social Management System (ESMS) Implementation Handbook and ESMS Toolkit, and generate a specific management system for the Project in line with the environmental, social and OHS requirements established by the Honduran General Environment Law [2] and Labor Code [3].

4.1.b Policy

ELCATEX has implemented an environmental policy which is applicable to all of its employees, through which it aims to promote innovation, progressively reduce the undesired environmental impacts of its activities, facilities, products and services, and make efforts to incorporate sustainability considerations in its activities. Additionally, as part of its occupational health and safety management system, the Company has implemented an industrial health and safety policy, in compliance with the Honduran Labor Code. These policies are in line with the requirements of PS-1.

The dissemination of these policies is regulated by general management, which is also responsible for managing the necessary resources for their implementation and guaranteeing their disclosure to customers and other interested parties.

4.1.c Identification of Risks and Impacts

As part of its environmental management model, ELCATEX has implemented an environmental impact identification procedure, whose objective is to identify, define and assess the environmental impacts generated by the Company through its activities and production processes. This procedure requires the development of an impact matrix to facilitate the implementation of measures to manage significant impacts.

To date, the San Juan Textiles Project has not obtained an environmental permit. In compliance with the Honduran General Environment Law and its Regulations, the Project has been classified as category 3 according to MiAmbiente's categorization table. As such, the Company must prepare an environmental management plan as part of MiAmbiente's new Simplified Environmental Permit System ("SEPS").

4.1.d Management Programs

ELCATEX has implemented a corporate environmental management program ("EMP") which complies with the requirements of PS-1, and applies to all manufacturing company employees, as well as their contractors and subcontractors. The objective is to establish and implement a mitigation and performance improvement measures and actions program to manage social and environmental risks and impacts derived from its activities.

This EMP includes the following corporate programs and plans: (i) efficient water use and savings program; (ii) efficient energy use and savings program; (iii) wastewater monitoring program; (iv) emissions monitoring program; (v) maintenance monitoring program; (vi) sustainable practices and training program; (vii) comprehensive solid waste management plan; (viii) reforestation plan; and

(ix) plant abandonment and decommissioning plan.

The EMP stipulates that each manufacturing company is responsible for developing specific environmental plans and procedures, in accordance with their needs and in compliance with MiAmbiente's requirements. In that sense, ELCATEX developed its programs and plans based on the requirements of the environmental permit.

To date, the San Juan Textiles Project does not have a specific EMP.

4.1.e Organizational Capacity and Competency

The Company's corporate environmental manager is responsible for the coordination, implementation and fulfillment of environmental control measures established by MiAmbiente, and reports directly to ELCATEX's corporate legal department. The department has two (2) corporate environmental supervisors, who are responsible for maintaining registers, logs, records and supporting documentation on the fulfillment of environmental control measures established by SERNA Resolution No. 0541-2015.

Additionally, in accordance with the requirements of employment and social security legislation, ELCATEX has appointed a plant health and safety supervisor and a joint occupational health and safety committee, in compliance with the implementation of the General Regulation of Work Accident and Occupational Disease Prevention Measures.

However, to comply with PS-1, ELCATEX will provide an introductory or refresher session at least once a year on the environmental, social, and health and safety training program for all staff responsible for managing each current or future operating facility. At this session, the Company will present and analyze the environmental, social, and health and safety risks and impacts for each facility, as well as Honduran environmental, social, and health and safety regulations that it must comply with.

4.1.f Emergency Preparedness and Response

ELCATEX has implemented an emergency response plan ("ERP") that complies with local regulations,^[4] and contains: (i) specific emergency response procedures; (ii) the duties of trained emergency control groups; (iii) description of first response teams; (iv) emergency notification and warning procedures; (v) emergency contacts, and communication systems and protocols; (vi) media and community relations procedures; (vii) details and location of emergency teams and facilities; and (viii) training exercises such as simulations carried out annually or more frequently if necessary.

To date, the new San Juan Textiles Project has not implemented an ERP. As such, ELCATEX must prepare and adopt a plan containing the following measures: (i) emergency situation response procedures; (ii) qualified emergency response teams; (iii) emergency contacts, and communication systems and protocols; (iv) procedures for interaction with local and regional authorities regarding health and emergency response issues; (v) permanent emergency response facilities and equipment (for example, first aid stations, hose pipes, fire extinguishers, sprinkler systems); (vi) protocols for fire trucks, ambulances, and other emergency services and vehicles; (vii) evacuation routes and meeting points; and (viii) training exercises (drills and simulations) with staff from the San Juan Textiles Project, as well as other stakeholders and interested parties.

The ERP must be implemented together with an annual training program and root cause analysis

procedure for all serious or fatal accidents, as well as a description of the necessary corrective measures to minimize the risk of future incidents. The annual training programs aim to strengthen the effectiveness of the response to emergency situations, and will include courses for first responders on: (i) first aid (basic life support, hemorrhages, shock, injuries and burns, fractures, moving injured people, etc.); (ii) fire extinction and prevention (firefighter safety, storing hose pipes, using fire extinguishers, etc.), and (iii) search and rescue, among others.

4.1.g Monitoring and Review

ELCATEX is responsible for ensuring the implementation of tracking, monitoring and control plans contained in the Project's environmental permit. To do this, it will develop a compliance matrix containing a set of key performance indicators ("KPIs") which will allow measuring EMP effectiveness, as well as the level of implementation of all of the Projects's legal and contractual obligations. It must also prepare separate monitoring matrices for the obligations required in the San Juan Textiles Project's construction and O&M phases.

These matrices will contain the following information, among others: (i) a KPI to measure the effectiveness of the EMP and compliance with Honduran contractual and legal obligations; (ii) the name of the competent authority responsible for granting authorizations or issuing permits; (iii) the issue or effective date for each permit or authorization; (iv) the duration of each permit or authorization; (v) the name of the person responsible for monitoring or compliance with each permit, and (vi) future compliance procedures and reporting.

Through an internal audit or external expert approved by the country's environmental authority (external audit), ELCATEX will prepare a consolidated annual report on the level of compliance with all national environmental, social, and health and safety polices and measures applicable to each facility, which will include: (i) progress on the implementation of SMCS actions based on the defined KPIs; (ii) the level of compliance with the IDB Invest Environmental and Social Sustainability Policy; and (iii) the level of compliance with the provisions of Honduran environmental, social, and health and safety regulations. Based on the results of these internal or external audits, ELCATEX will define specific measures to reduce impacts, improve efficiency, and document and report progress on the introduction of new procedures, as well as other certifications if applicable.

4.1.h Stakeholder Engagement

Given that the potential environmental and social risks and impacts of the San Juan Textiles Project are concentrated in San Juan Innovation Park, the Project's main stakeholders are other industrial plants in the area. In that sense, their participation is limited to use of the complaints and grievance mechanism that will be adopted by the Project.

As part of its corporate social responsibility (CSR) strategy, ELCATEX will also implement several charitable initiatives which aim to contribute to the development and wellbeing of the communities in which it operates. These initiatives include participation in non-profit organizations such as *Fundación Más Hondureños Teniendo Identidad, Valores y Orgullo (Fundación MHOTIVO)*; *Teletón Honduras*; and *Obras Sociales Vicentinas (OSOV Honduras, C.A.)*.

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External Communications

ELCATEX has developed a communication strategy whose objective is to disseminate relevant information on the Project to its various stakeholders (employees, contractors, and communities located within the Project's area of influence). This strategy includes communication of how the complaints mechanism works, and the implementation of mitigation measures. A consultation process will also be carried out with key stakeholders in the Project's area of influence to exchange opinions and information, and establish a constructive long-term relationship. The communication methods defined by the strategy are: (i) half-yearly workshops and meetings; (ii) radio adverts; and (iii) print information to be distributed in town halls and the main education centers within ELCATEX's area of influence.

4.1.i.i Grievance Mechanism for Affected Communities

ELCATEX has implemented an external complaints mechanism which complies with the requirements of PS-1, and establishes guidelines and procedures to register, analyze, investigate and resolve grievances, complaints and queries related to the Company's activities. This mechanism provides stakeholders (communities, associations, and NGOs, among others) a communication channel to strengthen community relations, generate a positive social change, and ensure good environmental and social performance.

4.1.j Ongoing Reporting to Affected Communities

Through its communication strategy, ELCATEX will release reports on the Company's performance to communities and other stakeholders who request them.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

4.2.a.1 Human Resources Policies and Procedures

ELCATEX has implemented a Code of Ethics to guide its relations with shareholders, clients, suppliers, authorities, civil society organizations, environmental groups, communities, and all other stakeholders who interact with ELCATEX. This Code of Ethics, which complies with Honduran labor laws^[5] and PS-2 guidelines, includes standards and provisions which prohibit forced labor, child labor, discrimination, and harassment or abuse. It also establishes remuneration and service provision conditions, working hours, freedom of association, health and safety standards, independent oversight, environmental commitments, and compliance with relevant legal provisions.

ELCATEX also has: (i) a System for Personnel Management and Selection, which defines the policy of Internal Promotions and the Employee Recruitment, Selection and Hiring Procedure; and (ii) a Policy to Prohibit Discrimination.

4.2.a.ii Working Conditions and Terms of Employment

ELCATEX has an Internal Labor Regulation ("ILR") that is compatible with the Labor Code and its regulations and the Honduran Social Security Law and its general regulations. This ILR sets out the employment procedures and conditions for hiring and firing in accordance with the International Labor Organisation ("ILO"). The Regulation includes the rules and conditions for working days, hours, and breaks; paid annual leave; paid and unpaid leaves of absence; flexible work schemes to promote collaboration and productivity; wages and benefits; employer and employee rights and

duties; behavior and disciplinary measures; asset security; risk prevention; and workers with disabilities, among others.

4.2.a.iii Workers' Organizations

Honduras is a signatory to a number of international conventions and treaties of the ILO relating to workers' rights, including 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. In this sense, ELCATEX allows the free association of its employees.

4.2.a.iv Non-discrimination and Equal Opportunity

The ILO international conventions and treaties relating to workers' rights ratified by Honduras include Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation. In this sense, ELCATEX adheres to these principles in its Code of Ethics and its ILR, and it ratifies them with the Policy to Prohibit Discrimination.

4.2.a.v Retrenchment

In its ILR, ELCATEX has set forth the conditions for termination of the employment relationship, in accordance with the provisions of the Labor Code.

4.2.a.vi Grievance Mechanism

ELCATEX's Code of Ethics sets out the communication mechanism for handling reports, claims, grievances or suggestions, from any employee or worker employed by third parties. However, to meet the requirements of PS-2, the Company will update it and develop guidelines to: (i) classify and evaluate reports, claims, grievances or suggestions; (ii) address and follow up on responses, concluding with the closure of the claim; (iii) adjust or improve the EMP, in terms of information communication and disclosure; (iv) provide a system that is culturally appropriate and easily accessible at any time (e.g., an external mailbox or box with printed or digital forms to record the grievance or inquiry); (v) enable the reception, capture and processing of anonymous grievances and inquiries; and (vi) provide access to other applicable legal or administrative remedies as warranted by the seriousness of the grievance, in keeping with local national labor regulations or legislation.

ELCATEX will develop a Training Program on the use of this internal mechanism, whose participants will include all its personnel, as well as those of the contractors and subcontractors.

4.2.b Protecting the Workforce

Honduras is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 138 concerning Minimum Age for Admission to Employment, Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, Convention No. 29 concerning Forced or Compulsory Labor, and Convention No. 105 concerning the Abolition of Forced Labor. In this regard, and in compliance with the Labor Code, the General Regulations on Measures to Prevent Occupational Accidents and Diseases^[6] and the Code on Children and Adolescents,^[7] the ELCATEX ILR regulates labor

relations, setting out the minimum rights and duties of employers and workers, and promotes equality and equity in the enjoyment of human, civil, political, economic, social and cultural rights between women and men.

4.2.c Occupational Health and Safety

ELCATEX has a Safety Management and Control System (SMCS), which in turn provides for an Industrial Health and Safety Policy, declaring its commitment to performing its activities as set out by the Ministry of Labor and Social Security and to complying with the legal provisions in force as set forth in Honduran^[8] worker health and safety legislation and the occupational health and safety guidelines of PS-2. The SMCS contains a procedure for granting high-risk work permits depending on the activity, the conditions of the working environment and the activities to be performed. It also has a personal protective equipment (PPE) and emergency equipment checklist.

ELCATEX also has a series of procedures in the area of Industrial Hygiene and Safety (IHS) management, in line with the risk analysis of its operations and occupational and environmental accidents, as well as a Safety Lectures Training Program and a procedure to keep the prevention and safety folder up to date.

4.2.d Workers Engaged by Third Parties

ELCATEX's ILR sets forth the rules and conditions relating to the working conditions of its employees and those engaged by third parties (contractors and subcontractors). Furthermore, as part of the SMCS, it has the Contractor Recommendation Procedure, which aims to ensure that contractors and subcontractors comply with the regulations in force.

4.2.e Supply Chain

The ELCATEX Code of Ethics states that suppliers must share its ethics and values, which include faithful enforcement of laws, rules and regulations, as well as a safe working environment. However, to comply with PS-2, ELCATEX will develop a Supplier Selection Procedure to verify, as much as possible, that they comply with national labor regulations. This procedure will include: (i) a questionnaire for all current and future suppliers, which can certify suppliers based on their compliance with the provisions of PS-2; and (ii) a provision that blocks current or potential suppliers that do not comply with Honduran labor laws or ELCATEX's policies or regulations (and thus prevents the Company from conducting business with them).

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

For its processes, ELCATEX buys steam generated with biomass to move its machinery directly to Corporación de Energía Renovable SA de CV, an institution that has its own environmental license and complies with the respective environmental control measures stipulated in that license. However, as part of its ESMS, the Company has an Air Emissions Monitoring Program to verify compliance with national regulations applicable to fixed and mobile sources, as well as ambient

noise (noise sources).

4.3.a.ii *Water Consumption*

ELCATEX has a Water Savings Policy and a Water Efficiency and Savings Program, which analyzes those aspects that can deplete this resource and proposes strategic actions for its efficient use, including (i) visual aids to make staff aware of water care and savings; (ii) leak detection and repair; (iii) efficient practices for cleaning work; and (iv) plans for reusing water generated by air conditioning condensers and rainwater, among others. In this sense and as part of its commitment to sustainability, ELCATEX has joined the Alliance for Water Security of the Municipality of Choloma, Department of Cortés.

ELCATEX obtains its water supply directly from the distribution system of the Choloma ZIP.

4.3.b **Pollution Prevention**

4.3.b.i *Wastes*

In compliance with the Quality Standards for the Discharge of Wastewater to Receiving Bodies (Agreement No. 58 of 1996), liquid effluents produced by ELCATEX's facilities (and the future San Juan Textiles facilities) are delivered to a Wastewater Treatment Plant ("WWTP") before being discharged to a tributary of the Choloma River. Under ICMA 2018, waste effluent discharges from the WWTP comply with the parameters set out in the national standard.

In addition, as part of the ESMS, ELCATEX has a Comprehensive Solid Waste Management Plan, whose aim is to establish the guidelines for the comprehensive management of solid waste in compliance with the Regulations for the Comprehensive Management of Solid Waste in Honduras (Agreement No. 1567-2010). In this sense, as part of its commitment to sustainability and improvements to its environmental performance, ELCATEX classifies its solid waste into three components: (i) ordinary solid waste that can be recycled or reused, such as: cardboard, nylon, plastic, fabric and metal waste, which is removed by various authorized managers according to the type of waste, under a service contract with each of them; and (ii) ordinary solid waste that cannot be recycled or reused, corresponding to common household waste and food waste, which is also removed by an authorized manager and disposed of at the municipal landfill; and (iii) hazardous solid and liquid waste, including biological or infectious waste from the first aid clinic within the plant, which is managed according to the Regulations for the Management of Hazardous Waste generated in Health Facilities (Agreement No. 07 of 2008), by a duly authorized manager.

4.3.b.ii *Hazardous Materials Management*

As required by national legislation on hazardous or special waste management, ELCATEX reports the generation of its hazardous or special waste, both solid and liquid, including biological and infectious waste from the first aid clinic at the plant and waste from the maintenance of equipment and machinery (mainly used or burned oil). It uses a solid and industrial waste collection service that is provided by several authorized private managers, who collect and transport the waste for its final disposal either at the crematorium of the Municipality of Choloma (for biological and infectious waste) or to a recycling plant (for used or burned oil).

Additionally, as part of its ESMS, ELCATEX has procedures for (i) the Communication of Chemical Risks, which sets out the protocol to provide the necessary information on the use of chemicals to

employees through labeling, tags (each product's safety data sheets) and training; and (ii) Storage and Control of Hazardous Materials Waste, which, as its name suggests, describes the conditions for storing, handling, transporting and disposing of hazardous materials.

4.4 Community Health, Safety and Security

4.4.a Community Health, Safety and Security

ELCATEX's new facilities will be designed and built by competent contractors of renowned experience recognized in the construction and operation of this type of works, as well as in the use of industry-recommended best international practices ; and with a proven record of compliance with the applicable national and international construction and safety guidelines, standards, and codes.

4.4.a.i Infrastructure and Equipment Design and Safety

In addition to compliance with the Fire Department Act and its Regulations, and with the General Regulations for the Prevention of Occupational Accidents and Diseases, the design of the life safety and fire protection systems ("LSFP") of the Project's buildings and facilities will comply with the international standards of the National Fire Protection Association ("NFPA"); the Honduran Equity and Integral Development of Persons with Disabilities Act;[\[9\]](#) and the ADA (Americans with Disabilities) Act of 2010 standards for accessibility design.

ELCATEX will also hire a qualified professional in the area of LSFP that will certify that the design of the fire protection facilities of the new branches of San Juan Textiles comply with: (i) the LSFP requirements of the IFC's General Environmental, Health, and Safety Guidelines; (ii) the international code on LSFP; and (iii) Honduran regulations for persons with disabilities. This professional will also certify that the new buildings or facilities which are to start operations were built in accordance with LSFP-approved designs and that all corresponding equipment was installed according to the design and was tested in accordance with international requirements.

4.4.a.ii Road Safety

To mitigate the impact on vehicular traffic during the construction and operation phases of the Project, especially the San Juan Textiles Project, ELCATEX will develop a specific Road Safety Management Plan for each construction site that will include measures to mitigate possible impacts on the affected communities.

4.4.b Security Personnel

ELCATEX uses security personnel to safeguard the Project facilities. However, it was not possible to obtain the necessary information during the ESDD visit to determine whether the use of security personnel is in line with PS-4. ELCATEX will therefore provide a copy of the contract entered into by it and the security company or companies to, among other aspects, check whether it includes clauses that allow the Company to (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record and have not been involved in cases of abuse; (ii) verify details of necessary training on the use of force and handling of firearms; (iii) verify restrictions or the procedures used in relation to firearms; and (iv) identify details of the environmental and social awareness training, including the subject of human rights.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not involve any development outside the land previously acquired by the Company through voluntary purchase agreements. As such, it does not involve involuntary physical resettlement or economic displacement of any kind.

4.6 Biodiversity Conservation and Natural Habitats

The Project will be developed in the Company's own facilities on previously intervened land (agricultural and livestock use), where there is regenerative vegetation (mainly grasses) of little ecological value.

4.7 Indigenous Peoples

The Project is developed within the city of Choloma, where there is no recorded presence of indigenous peoples or communities.

4.8 Cultural Heritage

The Project is being developed outside areas of archaeological interest, in existing facilities and on land previously altered by agricultural and livestock activities, so no impact on cultural heritage is anticipated.

Although no areas of archaeological interest have been identified within any of the Projects, ELCATEX will develop a Chance Finds Procedure^[10] in keeping with the requirements of PS-8 (extensive to contractors), to ensure adequate management in the event that unknown cultural heritage sites or archaeological remains are found during excavations, land leveling or earthworks to be carried out during the construction of San Juan Textiles.

5. Local Access of Project Documentation

ELCATEX offers commercial information on its main website, <http://www.elcatex.com/>

6. Environmental and Social Action Plan (ESAP). *Please see attached document.*

CONTACT INFORMATION

For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary tab**), or IDB Invest using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

[1] Environmental and Social Management System Implementation Handbook – General, IFC, version 2.1, November 2015. Environmental and Social Management System Toolkit – General, IFC, version 1.2, November 2015.

[2] Legislative Decree No. 104-93 – General Environment Law; Gazette 27,083 of June 30, 1993.

- [3] Legislative Decree No. 189, Labor Code; Gazettes 16,827 to 16,834, of July 15-23, 1959.
- [4] Executive Agreement No. STSS-053-04 of the Ministry of Employment and Social Security, which regulates the prevention of work accidents, and the Fire Service Law (Decree No. 294-93),
- [5] Decree No. 189 of 1959, Labor Code; Decree No. 140 of May 19, 1959, Social Security Law and its reforms.
- [6] Executive Agreement No. STSS-053-04; Gazette No. 30,523 of October 19, 2004.
- [7] Rule No. 73-96.
- [8] Decree No. 189 of 1959, Labor Code; Executive Agreement No. STSS-053-04 of June 28, 2004, General Regulations on Preventive Measures for Occupational Accidents and Diseases
- [9] This law contains provisions to guarantee the rights and principle of accessibility and equalization of opportunities for persons with disabilities.
- [10] A chance finds procedure is a Project-specific procedure that describes the measures to be taken in the event of finding previously unknown cultural heritage.