

## Environmental and Social Review Summary (ESRS) CargoX– Brazil

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### 1. General Information of the Project and Overview of Scope of IDB Invest's Review

CargoX (the “Company” or the “Client”) is perhaps the largest trucking marketplace and online freight broker in Brazil. The Company's platform enables truck owner-operators to make use of excess capacity and avoid empty return trips, thus improving freight visibility, reducing shipping costs, reducing emissions, and boosting income for truck drivers. As CargoX grows, it expects to positively impact thousands of truck drivers and small and medium enterprises (“SMEs”) across Brazil and potentially to Latin America. Online platforms like CargoX have become a key tool for resilience of transport in Brazil during the COVID 19 emergency crisis.

The Environmental and Social Due Diligence (ESDD) process, that was conducted remotely due to the travel restrictions imposed by the Corona Virus Pandemic, included virtual interviews and conference calls with the Company's senior representatives that took place in April 2020. The process itself included the review of relevant environmental, health, safety and social information provided by the Client, and comprised the analysis of: i) the responses provided by the Client to an environmental and social questionnaire supplied by IDB Invest; ii) the Company's Code of Ethics and operational procedures; iii) the Company's employees online training platform; and iv) the CARGOFORCE TMS<sup>1</sup> platform to understand how it is able to provide information in real time about the freight, the trucker and the truck and big data<sup>2</sup> platform outputs.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B (low-risk) operation according with IDB Invest's Environmental and Social Sustainability Policy since it will potentially generate, among others, the following impacts: i) traffic accidents and atmospheric emissions of trucks providing services through the platform; ii) lack of health coverage of truck drivers using the platform (third parties); and iii) community health and safety risks.

These impacts are deemed to be of low to medium intensity and can be mitigated via measures that are available and feasible to implement in the context of the proposed operation.

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

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<sup>1</sup> Cargo X dashboard for Automating manual processes.

<sup>2</sup> BIG DATA platform allows determine trucking capacity across Brazil for each day of the year, by type of truck, city and trailer, brand of the truck and truck age, among others.

### 3. Environmental and Social Context

The Company, launched in 2013, is perhaps the largest trucking marketplace the only online freight broker in Brazil. CargoX has two offices, one located in the city of Sao Paulo (“SP”) state and the second one, in Catalao, Goiás (“GO”) state. It has 390 direct workers, almost 1.2 million active truckers and about 9,000 active shippers in its network, of which a majority use it as their sole tech-enabled delivery platform, making it their main source of income and aims at potentially providing other benefits including access to wholesale discounted prices on items such as gasoline purchases, truck parts in addition to access to digital banking products and cash advances.

### 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 Assessment and Management System

The Company is compliant with all applicable national laws and has also obtained all permits and certifications required for its operations, including the license from Agência Nacional de Transportes Terrestres (“ANTT”). The Company also complies with requirements to transport all products, such as health products<sup>3</sup> which demands a permit issued by the Agência Nacional de Vigilância Sanitária (“ANVISA”). All permits are up to date.

The Company is in compliance with the local laws and has implemented the mandatory Environmental Risk Prevention Program (ERPP)<sup>4</sup> and an Occupational Health Medical Control Program (OHMCP)<sup>5</sup> that are reviewed and updated annually. However, in order to fully align with PS 1, the Company will develop an Environmental & Social Management System (ESMS), that will also include considerations about the independent and third-party truckers that provide serviced through the Company’s platform.

##### 4.1.b Policy

The Company has developed and adopted a Human Resources (“HR”) policy<sup>6</sup> and a Code of Ethics<sup>7</sup>. These two instruments are applicable to its employees and regulate their internal behavior and relations as well as the relations with external stakeholders such as: i) shippers; ii) carriers; iii) media; iv) clients; and v) regulators. An Environmental, Health and Safety Policy will be developed and included as part of the Company’s ESMS. The Company is also developing anti bribery and anti-corruption policies in accordance with the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and a Policy of Consequences.

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<sup>3</sup> Resolução ANVISA RDC 16/2013 referente as Boas Práticas de Transporte de Produtos para a Saúde.

<sup>4</sup> Programa de Prevenção de Riscos Ambientais (PPRA).

<sup>5</sup> Programa de Controle Médico de Saúde Ocupacional (PCMSO).

<sup>6</sup> Política de Gente e Gestão.

<sup>7</sup> CÓDIGO DE ÉTICA E CONDUTA, CARGO X, 2018.

#### 4.1.c Identification of Risks and Impacts

The Company has identified some truck transportation safety and security risks. Therefore, work instructions such as transportation rules (that include E&S aspects) and communications directives to assure the constant communication between the truck drivers and the Company during a trip have been developed. In addition, as part of the register of a truck driver in the platform, a check list is required to confirm attendance to all ANTT driving and truck permissions to circulate. A Risks and Impacts Matrix will be developed by the Company.

#### 4.1.d Management Programs

The Company will develop specific E&S Management Programs for its operations, that will include considerations about third parties (shippers and carriers).

#### 4.1.e Organizational Capacity and Competency

Under the Vice Presidency of Sales and Operations, the Company has a Risk Management area that oversees the Company's operational risks related with the cargo transportation. Also, two employees under the Human Resources team are responsible for the internal health and safety issues. The Company will appoint a person responsible for the implementation, operation and maintenance of the ESMS.

#### 4.1.f Emergency Preparedness and Response

Even though there is a freight insurance policy in place for all truck drivers using the platform, covering accidents and other material damages, the Company does not have documented procedures for the Emergency Preparedness and Response. In case of an emergency, the insurance company hired by the Company to cover the freight assists the truck driver and activates the emergency response. Notwithstanding the provisions above, the Company will improve its emergency preparedness and response procedures.

#### 4.1.g Monitoring and Review

The Company has established an audit procedure<sup>8</sup> to verify compliance of the internal policies. However, it will develop and adopt specific follow-up procedures regarding the ESMS implementation and interaction with the external stakeholders regarding environmental, social or safety issues.

#### 4.1.h Stakeholder Engagement

The company will develop a Stakeholder Engagement Plan to be aligned with PS 1, that aims at identifying stakeholders of the Company and potential risks and adverse impacts on them.

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<sup>8</sup> CX\_SGQ\_006 -Procedimiento de Auditoria Interna.

#### 4.1.i External Communication and Grievance Mechanism

The Company has an ethics channel<sup>9</sup>, managed by a third company called ICTS, that ensures the confidentiality of information and the anonymity of complaints. This channel is also available to all direct and contracted workers.

The Company will update its grievance mechanism to make it accessible to all external stakeholders.

#### 4.2 Labor and Working Conditions

The Company's HR policy that is consistent with national laws, is available to all employees through CargoX's internal cloud platform called "Oráculo". However, the Company will update the policy to align it with the PS 2, including directives on minimum age, minimum wage, forced labor, discrimination and freedom of association, among others.

All workers are provided with a formal contract including their rights and terms of employment (hours of work, wages, overtime, compensation, types of contracts, frequency of payments, sick and maternity leave and benefits). Salaries paid are above the national minimum wage. Every two years the Company performs all mandatory routine medical checks required by law to all its employees and pre-employment checks to all its new workers. The Company will also establish Key Performance Indicators (KPIs) to track performance related with: i) staff turnover; ii) absenteeism; iii) training; and iv) employee satisfaction.

In addition to the direct workers, the Company has two types of indirect working relationship: i) workers employed by transportation companies that owns the fleet and ii) independent owner -operators<sup>10</sup> (truck drivers who own their trucks). In the first case, the drivers receive from its employer the social benefits customary for private employees, while in the second case, the drivers have the social security coverage paid by the Government since there is a mandatory law<sup>11</sup> in Brazil that enforces any independent truckers to have an insurance covering death, disability and medical assistance<sup>12</sup>.

Even though CargoX does not have a written procedure in place to record and investigate near misses and accidents, every incident is duly investigated. To prevent occupational health, safety and security incidents, the Company: i) developed a Security Manual for Drivers; ii) provides security audios; iii) potentially monitors any trip when necessary; and

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<sup>9</sup> [www.canaldeetica.com.br/cargox](http://www.canaldeetica.com.br/cargox) and by phone: 0800 721 5953.

<sup>10</sup> Carrier testimonies videos can be reviewed at: <https://www.youtube.com/watch?v=WirlsLHQjuc&t=1s>, Conheça a Transportadora Rodogrãos and independent truck owner operator testimonies videos at: <https://www.youtube.com/watch?v=286t8z-Gml4&t=25s> Depoimentos – Caminhoneiros.

<sup>11</sup> [http://www.planalto.gov.br/ccivil\\_03/\\_ato2015-2018/2015/lei/l13103.htm](http://www.planalto.gov.br/ccivil_03/_ato2015-2018/2015/lei/l13103.htm)

<sup>12</sup> The compliance of the law is verified by the ANTT as part of the requirements for the register process. This can be consulted at: [http://www.antt.gov.br/backend/galeria/arquivos/2020/01/31/Guia\\_do\\_RNTRC\\_para\\_os\\_Transportadores\\_v27.pdf](http://www.antt.gov.br/backend/galeria/arquivos/2020/01/31/Guia_do_RNTRC_para_os_Transportadores_v27.pdf)

iv) blocks drivers with historic misbehavior to use the platform. In addition, the Company aims at providing (through partnerships and collaborations with selected network of gas stations) some benefits to the truck drivers.

To fully align with PS 2, the Company will: i) develop and adopt an Occupational Health and Safety Management Plan to mitigate the related potential E&S risks to truck drivers including provisions in regards to the importance of a) working reasonable number of daily hours and having enough rest time to avoid health and safety risks associated with extended working hours; b) using adequate EPP, and c) not using and abusing of alcohol and drugs; ii) enhance its Occupational Health and Safety Procedures to identify, assess and control health and safety risks associated with workplace hazards and include firefighting and fire prevention systems inspections; iii) ensure that all the truck drivers providing services under the platform have the mandatory Brazilian traffic accident victims' coverage<sup>13</sup> up to date; and iv) provide access to the grievance mechanism for truck drivers to raise concerns.

#### **4.3 Resource Efficiency and Pollution Prevention**

On average truck drivers in Brazil, spend an estimate of 59% of their time with excess capacity, running empty or looking for freight at truck stops<sup>14</sup>. However, through route optimization and consolidation of loads<sup>15</sup>, the number of trucks needed is optimized, leading to reduced Green House Gases (GHG) emissions and delivery-induced traffic congestion. Currently, the network saves 13.4 million of tons (mm of t) of CO<sub>2</sub> emissions per year, which is equivalent to twice the amount of CO<sub>2</sub> emissions produced by Uruguay in a year time (6.8 mm t of CO<sub>2</sub> Emissions)<sup>16</sup>.

To comply fully with PS 3, the Company will calculate the total CO<sub>2</sub> equivalent emissions per year as a result of the total number of freights (brokerage business).

At the time of the ESDD, the Company informed that: i) hazardous materials; ii) hazardous wastes; iii) liquids; or iv) fuel, are not carried by the platform users. It is worth to mention that as per the local environmental regulations, if such cargo is needed to be transported, a specific environmental license needs to be obtained.

#### **4.4 Community Health, Safety and Security**

The main community health and safety risks are associated with traffic incidents and accidents and the spread of infectious diseases that could be caused by the users of the platform that transport cargo all over the country roads. The Company will therefore identify, evaluate and mitigate these risks and include it as part of the Occupational Health and Safety Management Plan detailed at point 4.2.

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<sup>13</sup> Danos Pessoais Causados por Veículos Automotores de Via Terrestre (DPVAT).

<sup>14</sup> The Company estimates that, on average, truckers travel 10,000 km per month, 59% of these kilometers are traveled with an empty truck, whereas truckers who use CargoX marketplace travel with their truck empty in 35% of their total trips.

<sup>15</sup> Market transactions online applies Big Data Analytics and Machine Learning to constantly improve the freight / trucking capacity matching process.

<sup>16</sup> ESG-CARGOX – Company's internal document.

#### **5. Local Access of Project Documentation**

The information of the Company can be accessed at the following link: <https://cargox.com.br/>

#### **6. Environmental and Social Action Plan (ESAP)**

The table below summarizes the content of the Environmental and Social Action Plan (ESAP):

**PROJECT CARGO X**  
**Environmental and Social Action Plan (or ESAP)**

No.	Aspect	Action	Deliverable	Delivery date
<b>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</b>				
1.1	E&S Assessment and Management System	Develop and adopt an Environmental & Social Management System (ESMS), to identify, assess and manage the Company's environmental, social, occupational health and safety risks and impacts in accordance with the applicable Performance Standards (PS) which will also contemplate independent and third-party truckers that provide serviced through the platform.	1. Environmental & Social Management System (ESMS) Handbook and procedures 2. Evidence of Handbook adoption.	1. 360 days after signing the subscription agreement. 2. Annually through, the Environmental and Social Compliance Report (ESCR)
1.2	Policy	Develop an Environmental, Health and Safety Policy as part of the ESMS.	Environmental, Health and Safety Policy	360 days after signing the subscription agreement.
1.3	Identification of Risks and Impacts	Develop a Risks and Impacts Matrix.	Risks and Impacts Matrix	360days after signing the subscription agreement.
1.4	Management Programs	Develop specific E&S Management Programs for its operations, integrating considerations about third parties (shippers and carriers).	E&S Management Program	360 days after signing the subscription agreement.
1.5	Organizational Capacity and Competency	Appoint a person to be responsible for the implementation, operation and maintenance of the integrated ESMS.	The Company's Organizational Chart including the new E&S officer position	Before signing the subscription agreement.
1.6	Emergency Preparedness and Response	Implement emergency preparedness and response procedures including the carriers and truck drivers.	Emergency Preparedness and Response Plan	360 days after signing the subscription agreement and thereafter in the Environmental and Social Compliance Report (ESCR).
1.7	Monitoring and Review	Develop specific follow-up procedures regarding the ESMS implementation.	E&S Monitoring Plan	With each ESCR.
1.8	Stakeholder Engagement	Develop a Stakeholder Engagement Plan to be aligned with PS 1, that aims at identifying stakeholders of the Company and potential risks and adverse impacts on them.	Stakeholder Engagement Plan	360 days after signing the subscription agreement.
1.9	External Communication and Grievance Mechanism	Develop an external grievance mechanism.	External Grievance Mechanism	360 days after signing the subscription agreement.
<b>PS 2: Labor and Working Conditions</b>				
2.1	Working Conditions and Management of Worker Relationships	Update the HR policy aligned with the PS 2, to address to the following items: minimum age, minimum wage, forced labor, discrimination and freedom of association, among others.	Updated HR Policy	360 days after signing the subscription agreement.
2.2	Working Conditions and Management of Worker Relationships	Stablish KPIs to track performance related with: i) staff turnover; ii) absenteeism; iii) training; and iv) employee satisfaction.	KPIs and Report periodicity	With each ESCR.
2.3	Protecting the Workforce	Develop Occupational Health and Safety Procedures to identify, assess and control health and safety risks associated with workplace hazards.	Occupational Health and Safety Procedures	360 days after signing the subscription agreement.
2.4	Occupational Health and Safety	Perform Firefighting systems inspections and fire prevention actions	1. Firefighting system inspections reports 2. Drills reports	1. With each ESCR. 2. With each ESCR.
2.5	Workers Engaged by Third Parties	To develop an Occupational Health and Safety Management Plan in order to mitigate the related potential E&S risks to truck drivers, including provisions aiming at educating truckers in regards to the importance of: i) working reasonable number of daily hours and having enough rest time to avoid health and safety risks associated with extended working hours; ii) using adequate EPP; and iii) not using and abusing of alcohol and drugs.	1. Occupational Health & Safety management plan. 2. E&S training evidences E&S to truck drivers	1. 360 days after signing the subscription agreement. 2. 360 days after signing the subscription

No.	Aspect	Action	Deliverable	Delivery date
				agreement and thereafter in the ESCR.
2.6	Workers Engaged by Third Parties	Ensure that all the truck drivers providing services under the platform have the mandatory Brazilian traffic accident victims' coverage (DPVAT) up to date.	DPVAT control.	360 before signing the subscription agreement.
<b>PS 3: Resource Efficiency and Pollution Prevention</b>				
3.1	Pollution Prevention	Calculate the total CO2 equivalent emissions per year as a result of the total number of freights traveled by trucks using the platform (brokerage business).	Report of CO2 emissions.	360 days after signing the subscription agreement and thereafter in the ESCR.
<b>PS 4: Community Health, Safety, and Security</b>				
4.1	Community Health and Safety	Identify, evaluate and mitigate the health and safety risks associated with traffic incidents and accidents and the spread of infectious diseases that could be caused by the users of the platform that transport cargo all over the country roads and include it as part of the Occupational Health and Safety Management Plan (Item 2.5).	Occupational Health & Safety management Plan.	360 days after signing the subscription agreement.