

## Environmental and Social Review Summary (ESRS) EXPLORA – CHILE

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

Explora Chile S.A. (“Explora” or the “Company”), founded in 1993, is a sustainable tourism company offering lodging and guided explorations in remote, scenic destinations in Chile, Argentina, Perú and Bolivia. The Company currently operates seven lodges totaling approximately 200 rooms in the following locations: San Pedro de Atacama, Torres del Paine National Park, Easter Island and Patagonia National Park in Chile; El Chaltén in Argentina; Sacred Valley in Perú; and Uyuni in Bolivia. The proposed operation consists of a senior secured corporate loan for working capital (primarily for COVID-19 recovery) and for the financing of the development of tourism-related infrastructure on Surex’s new private conservation reserve (the “New Reserve”) outside of Torres del Paine National Park (altogether the “Project”).<sup>1</sup>

The New Reserve consists of the restoration and conservation of 6,000 hectares (“ha”) of retired cattle ranching land, as well as the development on that land of the following low-impact tourism-related infrastructure: a guest house (10 rooms); housing for reserve employees (19 rooms); a conservation center; gardens and nurseries (the latter for producing native trees for use in reforestation programs on the reserve); a horse stable complex; a drinking water plant; a wastewater treatment plant; a temporary storage site for hazardous wastes; electric generators (one main and one backup, with capacity between 200-300 kilowatt hours (“kWh”), supplied with liquefied petroleum gas to be delivered by truck and stored in four tanks on-site); a water storage tank for fire emergencies; a water network; a workshop; and a parking lot for 20 vehicles.

The environmental and social due diligence (“ESDD”) included an analysis of Explora’s environmental and social (“E&S”) performance at the corporate level as well as the Company’s plans for managing the New Reserve. The ESDD encompassed a desk review of the documents comprising Explora’s E&S Management System (“ESMS”) and a series of virtual interviews with the company’s E&S management staff. No physical visits were made due to the travel restrictions imposed by the COVID-19 pandemic.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according to IDB Invest’s Environmental and Social Sustainability Policy, since it is likely to generate the following risks and impacts: i) occupational health and safety risks, including those related to the COVID-19 pandemic; ii) risks to air and water quality from the operation of electricity generators and from the disposal of domestic wastes; iii) risks to local communities related to the use of a third party security provider at the property in the Sacred Valley; iv) risks to biodiversity from the clearing of land to build tourism-related infrastructure and from operating

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<sup>1</sup> Surex Activos Inmobiliarios S.A. is an affiliate company of Explora and owns the property on which the New Reserve will be developed. Surex is acting as Co- Guarantor of the Financing.

lodges in protected areas; v) risks to indigenous peoples potentially affected by Explora's activities (e.g., the accessing of communal lands and the building and operating of tourism infrastructure within indigenous territories); and vi) risks to cultural heritage during construction of tourism infrastructure. These risks and impacts are deemed to be of medium intensity.

The following Performance Standards ("PS") are triggered by the Project: 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; iv) PS4: Community Health, Safety, and Security; v) PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; vi) PS7: Indigenous Peoples; and vii) PS8: Cultural Heritage.

### 3. Environmental and Social Context

Explora's properties are in remote, rural areas. Other than the lodge on the outskirts of the town of San Pedro de Atacama, all of the lodges are far from any significant human settlements. The New Reserve will follow this pattern, being located over an hour's drive from the nearest small settlement. Two of the Company's properties are located within indigenous peoples' territories: Explora Rapa Nui on Easter Island, and Explora Atacama in San Pedro de Atacama. Additionally, the excursions ("*travesías*") from San Pedro de Atacama and the explorations run from the lodge in the Sacred Valley pass through indigenous territories and include interactions with members of indigenous communities.

#### 3.1 Contextual Risks

Explora's activities are designed to bring benefits to local populations as a matter of priority. Nevertheless, contextual risks do exist related to operating in and near indigenous peoples' territories. The International Work Group for Indigenous Affairs ("IWGIA") reports that the Rapa Nui people on Easter Island, "have maintained their demands for...recognition of their right to self-determination and their ancestral property rights over the entire territory of the island."<sup>2</sup> In 2011, police reportedly evicted a group of indigenous people belonging to the Hitorangi Clan from the grounds of a luxury hotel that they had allegedly occupied in protest over plans to develop the island.<sup>3</sup>

According to the U.S. Department of State's 2020 Country Report on Human Rights Practices for Perú and Bolivia, many Indigenous leaders have expressed concerns that the national and regional governments do not adequately protect indigenous peoples or their property interests.<sup>45</sup> Furthermore, indigenous groups in Perú and in Bolivia often lack the legal titles to definitively demarcate the boundaries of their land, as has been the case with communities near Explora's lodges in both countries.

Regarding COVID-19 risks, since the start of the pandemic Explora has been in communication with the local communities in which it operates about COVID-19 safety and access protocols. While most of these communities decided to close their borders to visitors, restrictions have been steadily easing; now Explora is able to operate all of its explorations with the exception of those on Easter Island and in Uyuni.

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<sup>2</sup> <https://www.iwgia.org/en/chile/3407-iw2019-rapa-nui.htm>

<sup>3</sup> <https://www.bbc.com/news/world-latin-america-12378736>

<sup>4</sup> <https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/Peru/>

<sup>5</sup> <https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/bolivia/>

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

### 4.1 Assessment and Management of Environmental and Social Risks

Explora is currently formalizing its risk and impact assessment and management processes, with the goal of instituting a system aligned with the ISO 14000<sup>6</sup> and ISO 45000<sup>7</sup> standards as well as with the IDB Invest Environmental and Social Sustainability Policy in the near term. The Company already has in place many of the core elements of such a system, including the following documents: a sustainability strategy, a human resources (“HR”) policy, a supply chain policy, a corporate code of conduct, and a comprehensive internal regulation governing aspects concerning labor, health and safety.

In its *Sustainability Strategy* the Company makes clear that its primary goal is to generate positive environmental, social, and economic impacts, and to do so by working together with local communities, “for the development and the caring and protection of their patrimony, culture and territories.” The strategy lists the following as the Company’s governing standards: i) B-Lab’s<sup>8</sup> triple impact certification standards (Explora is a certified B Corporation); ii) Global Sustainable Tourism Council’s<sup>9</sup> standards; and iii) the United Nations (“UN”) Sustainable Development Goals<sup>10</sup>—especially Goal 8 (Decent Work and Economic Growth), Goal 13 (Climate Action), and Goal 15 (Life on Land). Key performance Indicators (“KPIs”) by which the Company measures its success are described in the Sustainability Strategy, and fall into four categories: i) Collaborators (divided into local hiring, capacity building, satisfaction, and equity & diversity); ii) Providers (divided into local production & purchase, payment deadlines, and satisfaction); iii) Communities (divided into agreements & alliances, perceptions & relationships, and contributions); and iv) authorities and local associations (divided into legal/regulatory compliance, and alliances/agreements).

The Company’s *Human Resources Policy* forms the basis for the development of human resources (“HR”) procedures at each of Explora’s destinations. At the top of the Policy is the following purpose statement: “This Policy is an aid for attracting, developing and retaining talent at Explora, with the principal focus on recruiting indigenous peoples from the territories where we operate... we also have a commitment to people in situations of vulnerability, awarding development opportunities that allow them to improve their quality of life and social mobility.” The Policy goes on to affirm that the Company values diversity, equity and inclusion its workforce, and that its recruitment process has the objective of achieving a culture of inclusivity at each of its destinations.

*The Supply Chain Policy* applies to all of Explora’s suppliers and their subsidiaries and articulates the Company’s commitment to actively seeking suppliers that meet the following criteria: they comply with Explora’s labor and safety standards; they have initiatives related to environmental protection and positive social impact; and their products and services showcase the cultural traditions and environmental richness of each territory where the Company operates. The Policy also affirms Explora’s willingness to support suppliers owned by members of local communities or socially vulnerable groups.

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<sup>6</sup> A certification issued by the International Organization for Standardization (“ISO”) for environmental management systems.

<sup>7</sup> ISO certification for occupational health and safety.

<sup>8</sup> B Lab is a global nonprofit network transforming the global economy to benefit all people, communities, and the planet. Certified B Corporations, or B Corps, are companies verified by B Lab to meet high standards of social and environmental performance, transparency, and accountability

<sup>9</sup> The Global Sustainable Tourism Council (“GSTC”) establishes and manages global sustainable standards, known as the GSTC Criteria. There are two sets: Destination Criteria for public policy-makers and destination managers, and Industry Criteria for hotels and tour operators.

<sup>10</sup> <https://sdgs.un.org/goals>

*The Corporate Code of Ethics and Conduct* (the “Code”) serves as a detailed guidance document for any Explora worker who encounters non-compliant conduct, such as the following: illegal actions; any noncompliance of policies, procedures and norms established by Explora; any act, conduct or situation contrary to the values and principles that the Code establishes; all acts, conduct or situations that run contrary to fundamental human rights. The Code also establishes the Corporate Ethics Committee and specifies that it shall include the following participants: the CEO, the Sustainability Manager, the HR Manager, and specialist advisors. Also highlighted in the code is Explora’s Anti-Retaliation Policy, which states that anyone who consults with or files a complaint with the Ethics Committee shall be protected from retaliation of any kind.

The Code includes a section on occupational health and safety, emphasizing the corporate policy of identifying and evaluating occupational health and safety risks to manage them continuously and effectively. It also includes a succinct yet comprehensive Environmental Protection Policy—thus explicitly making environmental protection a measure of ethical conduct. In a similar manner, the Code links the Company’s core values of inclusivity and respect for diversity with the actions and responsibilities of its individual employees. Regarding relations with indigenous communities specifically, the Code mandates that all employees must respect the collective rights of all people and communities belonging to indigenous peoples’ territories. Furthermore, it mandates that all employees must respect the agreements generated between Explora and these communities, particularly those related to the manner of visiting their territories and “interpreting their cultural and environmental heritage.” According to the Code, any employee who witnesses any noncompliance with the protocols or agreements with local communities must report the acts immediately to management.

*The Internal Order, Health and Safety Regulation* (the “Internal Regulation”) defines in detail Explora’s plans and protocols for complying with the Chilean labor laws (especially Law No.16.744 in the Labor Code). The Regulation forms an integral part of every employee’s contract, and covers, working conditions, labor rights and benefits. It also includes sections on prohibited activities as well as on Explora’s general occupational health and safety regulations.

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

The Internal Regulation includes a risk matrix, including preventative measures for each risk. These risks fall into various categories: general risks; risks related to working with machinery; risks from chemical and biological agents; and psychological/social risk. Explora has also developed more detailed and location-specific risk matrices for each of its destinations except Uyuni, for which a matrix is currently under development.

Explora manages the general E&S risk and impacts of its operations in accordance with the applicable laws and regulations. In cases where its operations are deemed by the national Environmental Impact Evaluation Service (“SEIA” for its acronym in Spanish) to be located in environmentally sensitive areas (e.g., protected areas), Explora need to obtain the relevant permits (i.e., *Resoluciones de Calificación Ambiental—“RCA”*<sup>11</sup>). This is the case, for example, with the lodges on Easter Island and in Torres del Paine National Park, which are permitted under a series of RCAs.

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<sup>11</sup> Equivalent of an environmental license.

Regarding the New Reserve specifically, Explora prepared an Applicability Study (“*Consulta de Pertinencia*”), which Surex submitted to the SEIA, describing the project, its risks, impacts and mitigation measures. The study presents the following information in order to highlight the project’s low risk profile: the lodge and associated infrastructure will be built as isolated buildings, avoiding the need for large cement slabs and significant earth movement; the project will dedicate 6,000 ha of former livestock ranching lands to conservation; the lodge and associated infrastructure will occupy less than half a hectare of land in total—and less than half of that amount (a quarter of a hectare) will require clearing of vegetation (the lodge and associated infrastructure will be built on lands already heavily impacted and deforested prior to purchase); it is anticipated that no trees will need to be cut for the development of the project; new access roads will impact less than one hectare of land and, once built, will replace less direct routes which will be allowed to regenerate naturally; structures will be built using prefabricate modules, reducing the construction time and physical footprint at site; during the construction period, use of existing structures will reduce the need for significant temporary construction or housing installations; heavy equipment will be limited to one excavator, one backhoe, one mechanical pump, two generators, one crane, and three pickup trucks; and all maintenance of the aforementioned equipment will take place off-site. The study also makes clear that potable water will be brought in by truck and stored in tanks on site, while industrial water will come from one or two new wells to be drilled. Furthermore, occupancy of the Reserve is expected to remain below 60 persons per day in total (30 workers, 20 guests, and 10 interns). In January 2022, the SEIA emitted a resolution finding that the New Reserve project, as described in the *Consulta de Pertinencia*, will need to be submitted to the Environmental Impact Evaluation System for authorization prior to being executed.

Explora is contemplating selling 30 individual, 1.7 ha lots on the New Reserve property. The purpose would be to raise capital to further the reserve’s conservation goals. The Reserve’s Coownership Regulations (*Reglamento de Copropiedad*) will require any development of the lots to align with the reserve’s conservation management plan and to conform to the following rules aimed at minimizing environmental impacts: i) only one house could be built on each lot; ii) each house would be limited in size to 350 square meters; iii) the use of reinforced concrete would be prohibited; iv) each house would need to implement its own water treatment and electricity generation systems; v) the use of liquid fuels (e.g., diesel or gas) for electricity generation would be prohibited; vi) building would be restricted to a limited portion of each lot, and all trees would need to be left standing; vii) waste management/recycling plans would be required for each lot; viii) the design of each house would need to be approved by a Project Evaluation Committee; ix) pools and gazebos would not be allowed; and x) an E&S risk and impact assessment and related mitigation measures acceptable to the Project Evaluation Committee would be required prior to commencing any construction activities.

#### 4.1.a.i Gender Risks

Explora’s HR policies and its code of conduct align the Company’s HR management with Chile’s legal code, which provides protections to those affected by sexual harassment by employers and coworkers. In two particular areas, Explora goes beyond these national requirements: it continues to pay one hundred percent of the salary of mothers on maternity leave, even when that amount exceeds the regulatory cap; and it reimburses babysitting expenses for employees whose children, for any reason, cannot attend daycare at traditional facilities. Explora, however, will perform a gender risk assessment for all its operations and incorporate a culturally appropriate gender management plan into its ESMS. Based on the results of this exercise, the Company will also update its HR policies and the code of conduct, as appropriate.

#### 4.1.b Management Programs

Explora manages the labor and occupational health and safety aspects of its operations according to the procedures and protocols set forth in its Internal Regulation. The Company also has a capacity building program for employees, which offers training in a broad array of topics—ranging from those that are mission oriented, to those that relate specifically to occupational health and safety.

High level environmental programs are described in the Company's Sustainability Strategy. These include programs to improve energy efficiency, to reduce carbon emissions, to minimize the corporate water footprint, and to minimize the production of solid waste.

#### 4.1.c Organizational Capacity and Competency

To further develop its management programs and drive their implementation, Explora recently hired onto its management team a proactive and forward-thinking Sustainability Manager. Besides the latter, Explora's management also includes an Environmental Impact Manager responsible for implementing the ESMS. For identifying and managing risks at Explora's individual destinations, the Company employs two full-time risk managers. The on-the-ground implementation of environmental, health and safety procedures is overseen at each destination by Representative Health and Safety Committees, which are headed by each Destination Manager. The Corporate Maintenance Team manages the collection of data related to water and energy efficiency and is responsible for obtaining all local environmental permits. For its operations in Chile, Explora contracts a legal consulting firm to help ensure that all E&S permitting requirements are understood and met.

#### 4.1.d Emergency Preparedness and Response

All of Explora's tour guides (as well as various other staff at each of Explora's destinations) have received either the Wilderness First Aid or Wilderness First Responder certification. Each of Explora's destinations is equipped with first aid kits and defibrillators. The Company has developed location-specific emergency response plans for each of its destinations (the plan for the Uyuni destination, the newest, is still under development). The Internal Regulation requires that all personnel have knowledge of these plans, that employees be trained in the use of fire extinguishers and other emergency equipment, and that they participate in annual emergency drills. Explora schedules and tracks its conformity with these requirements using a sophisticated employee training program.

Regarding fire emergencies, Explora has recently rolled out an updated fire control system across its operations. At headquarters, the system is part of the safety network integrated into the office building. At all destinations except Patagonia the fire safety system has been upgraded and modernized and includes sprinkler systems and fire department hookups. Upgrades for the system at the Patagonia destination are scheduled for this year.

Explora's ESMS includes a basic written procedure to guide Destination Managers in reporting accidents and incidents. The Company uses a spreadsheet for recording each event in a way that allows for easy follow-up and analysis. As part of its ESMS improvements, Explora will update its reporting procedure to also include the following enhancements: i) KPIs; ii) regular performance audits; and iii) formal processes for identifying and addressing each event's root cause.

#### 4.1.e Monitoring and Review

Explora actively monitors an array of KPIs across its environmental programs (i.e., related to reducing the carbon footprint, water and energy consumption and waste production). This monitoring has allowed the Company to achieve two certifications: Certified Carbon Neutral Company (by Natural Capital Partners), and Certified B Corporation (by B Lab). Explora will develop monitoring plans and procedures for its stakeholder engagement activities and incorporate them into its ESMS.

#### 4.1.f Stakeholder Engagement

Indigenous communities are key to the Company's operations at four locations: San Pedro de Atacama and Rapa Nui in Chile; Uyuni in Bolivia; and Sacred Valley in Perú. Explora's consultation activities have resulted in agreements with all of the communities where the Company has been active in each of these locations. The most relevant topics addressed in these agreements are as follows: i) Explora's social license to operate; ii) support for social initiatives; iii) local employment; iv) capacity building; v) professional development of local providers; and vi) permission to run tours through community territories.

Explora maps relevant stakeholders for each destination, taking into consideration each stakeholder's level of influence and relevance to the Company's operations. The resulting stakeholder map is used as an input in the planning prioritization of stakeholder engagement activities, for example with local communities or civil society organizations.

When Explora participates in community assemblies, any agreements reached or commitments made are recorded in the assembly's minutes. The Company plans periodic meetings with each community in its area of influence to follow up on these agreements and commitments. The meetings also serve as an opportunity to renegotiate or adjust agreements and commitments if necessary—for example if there has been a change in community leadership. Commitments relevant to each destination are tracked by Explora's manager at that destination. This arrangement fits with Explora's treatment of social programs as "lines of action," which are flexible and adaptable to conditions particular to each destination.

At the hotel on Eastern Island much of the staff, including all of the guides, are of Rapa Nui descent. The lodge itself, which was built by Explora over thirty years ago, as well as the land on which it sits, are owned by a member of the Rapa Nui people, who serves as a natural liaison between the Company and the broader community. Explora also engages closely with the *Ma'u Henua* community, which manages the Rapa Nui National Park.

For its most recently opened facility, located in Uyuni, Bolivia, Explora has documented the community engagement process fully. At that location, the Company has reached agreements with the four communities potentially affected by the Company's infrastructure (i.e., lodges in three different locations, each comprised of four to eight rooms and small associated outbuildings). Notably, Explora was able to reach agreements with two communities (Mallcu Villa Mar and Pelcoya) that both claim ownership of the land on which one of the lodges (named "Ramaditas") was to be built. After internal agreements among these communities, they granted Explora use of the land and agreed to an arrangement for sharing project benefits. For the exploration routes at this site, Explora has preliminarily identified six communities with which they will need to engage to obtain access to their lands.

In the Sacred Valley the land and infrastructure are owned by Surex, and Explora operates the lodge under a long-term operating contract with them. Explora meets regularly with the surrounding community of

Urquillos—either with its leaders alone or with full assemblies. Explora’s staff at this destination speak Quechua and strive to participate in these meetings in a culturally appropriate manner. The exploration routes departing from this hotel pass through at least ten different communities’ lands. Explora has signed agreements with all these communities granting the company access. The Company organizes annual meetings to review these and other agreements and adjust as necessary.

Regarding relevant works with non-governmental organizations (“NGOs”), on Easter Island Explora is one of the major supporters of Terevaka Archeological Outreach (“TAO”). TAO was launched in 2003 as a volunteer program aiming to find a better way to balance scientific research about, and community engagement with, the Rapa Nui people. In the coming years it is expected that TAO will expand its scope of work with Explora, with the goal of serving rural and indigenous youth at several additional Explora destinations.<sup>12</sup>

#### 4.1.g External Communication and Grievance Mechanisms

##### 4.1.g.i Community Grievance Mechanism

The managers at Explora’s destinations freely share their cellular contact information with leaders from the local communities where they work and make themselves readily available to receive feedback. Explora will also develop a formal external grievance mechanism that will allow for anonymous complaints and include explicit protections against retaliation. Explora will actively socialize this mechanism in a culturally appropriate manner throughout the communities affected by the Company’s operations.

#### 4.1.h Ongoing Reporting to Affected Communities

By virtue of the type of activities it offers (i.e., culturally immersive explorations), Explora is in constant contact and communication with the communities in and around its operations. Destination Managers continuously and proactively renew and confirm the Company’s agreements with these communities, and these interactions are closely tracked by Explora’s corporate management.

## 4.2 Labor and Working Conditions

### 4.2.a Working Conditions and Management of Worker Relationships

Explora’s Internal Regulation defines in detail the Company’s plans and protocols for complying with Chilean labor laws. This document combines with the HR Policy, the Attendance Policy, and the COVID-19 Policy to provide a comprehensive treatment of the Company’s HR policies and procedures. The Internal Regulation includes prohibitions against discrimination based on an array of classes, which are listed as: race, color, sex, age, marital status, participation in unions, religion, political opinions, nationality, national origin, socioeconomic status, language, beliefs, participation in guilds, sexual orientation or gender identity, personal appearance, illness or disability, and social origin. The Internal Regulation also contains a basic worker grievance mechanism, with procedures for handling complaints filed individually and for those filed through union representatives.

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<sup>12</sup> <http://www.terevaka.net/>

#### 4.2.b Protecting the Workforce

The Internal Regulation makes clear Explora's commitment of not hiring minors. It also stipulates that before being hired, applicants between the ages of 15 and 18 must present permission from a parent or legal guardian and that once hired, employees in this age group may only perform the limited set of duties defined in the relevant Chilean labor laws.

#### 4.2.c Occupational Health and Safety

In its core corporate management documents (e.g., the Internal Regulation) Explora commits explicitly to developing programs and procedures to protect the health and safety of its workers. The Company's risk managers put this commitment into practice by developing risk matrices for each destination and then defining and implementing targeted measures to mitigate each risk identified. The mitigation measures are detailed in a series of occupational health and safety procedures, which are divided into the following thematic areas: i) proper use and maintenance of personal protective equipment; ii) horse safety; iii) kitchen safety (e.g., procedures relate to safe use of knives, friers, and other high-risk kitchen equipment); iv) electrical storms; and v) COVID-19 safety. Representative Health and Safety Committees participate in the identification of health and safety risks at each destination. These committees are also responsible for ensuring that the health and safety procedure are implemented, monitored and updated.

#### 4.2.d Provisions for People with Disabilities

The Internal Regulation contains a detailed section titled, "Equal Opportunity Rights for Disabled Workers," clearly stating Explora's policy of providing equal opportunity for disabled workers, and of providing accommodations to such workers as may be necessary for them to fulfill their job functions. This section also states the Company's policy of protecting disabled persons against discrimination both during recruitment processes as well as in the workplace once hired.

#### 4.2.e Workers Engaged by Third Parties and Supply Chain

Explora proactively designs and implements programs (e.g., evaluations and trainings) to help its local providers improve their environmental and social performance. In addition, the Company has both a Supplier Policy and a detailed Supplier Code of Conduct to address issues related to suppliers of both goods and services. Explora requires all of its providers to declare their acceptance of both the Policy and the Code of Conduct.

The Supplier Policy states that Explora chooses providers that comply with Explora's standards related to labor conditions and worker health and safety requirements. It also affirms that the Company will make sure its providers have copies of Explora's pertinent policies and procedures, and that it will constantly evaluate the providers' conformance with the rules therein.

The Supplier Code of Conduct prohibits the use of child labor and contains a series of requirements related to labor and occupational health and safety. Specifically, providers must meet the following requirements: i) oversee at all times the protection of human rights and the treatment with dignity of their employees and of all people with whom they interact; ii) assure their workers have not been forced or coerced into working; iii) have processes and programs to promote compliance with environmental health and safety rules and regulations and that the workers are trained and equipped properly; iv) have emergency response plans and procedures in place; v) have procedures in place to investigate and address workplace

accidents and injuries; vi) identify and manage hazardous materials properly; vii) recognize and respect the rights of employees to associate freely, and to organize and negotiate collectively according to the laws of the country in which they are contracted; and viii) respect the right of employees to communicate openly with management regarding labor conditions without fear of retaliation. The Code of Conduct also includes a section dedicated to environmental protection, requiring providers to have a system made up of defined policies and practices for compliance with applicable environmental laws.

#### 4.3 Resource Efficiency and Pollution Prevention

##### 4.3.a Resource Efficiency and Pollution Prevention

Explora pursues and implements opportunities to improve its resource use efficiency as a corporate priority. Its initiatives in this area have ramped up significantly over the past three years since the hiring of the new Sustainability Manager. In 2019 the Company created Triple Impact Committees, which identified the following four priority action areas: energy usage, carbon footprint, water usage, and waste generation.

Regarding energy usage, the Company analyzes its energy consumption at all of its facilities, identifies areas where high impact improvements can be made, and implements the improvements according to short- and medium-term plans.<sup>13</sup> The Company has identified as a top priority the modernization of the generators at some of its older properties and has already begun the process of replacing these generators with models that are more efficient and cleaner burning.

In regard to reducing its carbon footprint, the Company is Certified Carbon Neutral by Natural Capital Partners.<sup>14</sup> By 2030 Explora commits to becoming “historically carbon neutral”—meaning that it will offset one hundred percent of all past emissions generated since its incorporation.

Regarding water usage and waste generation, Explora is in the process of installing water meters and solid waste measurement systems at all of its destinations in order to identify and prioritize opportunities for improvements. The Company actively recycles domestic wastes at each of its destinations. Final disposition of hazardous and domestic waste from Explora’s properties is handled by providers who are appropriately licensed.<sup>15</sup> The Company’s water treatment systems are duly permitted by the proper authorities.

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<sup>13</sup> Kilowatt Hours (kWh) of energy consumed at each destination in 2021 was as follows: Torres del Paine—2,920,033 kWh; el Chaltén—1,356,001 kWh; Patagonia—258,486 kWh; Easter Island—1,043,150 kWh; Atacama—3,272,389 kWh; Sacred Valley—464,233 kWh.

<sup>14</sup> Natural Capital Partners is a provider of carbon consulting and carbon offsetting services intended to combine business success with a positive impact on the environment and society

<sup>15</sup> Hazardous wastes consist mainly of the following: used vehicle oil, oil filters and air filters; used lithium and alkaline batteries; paint cans; used kitchen oil; used light bulbs. Domestic wastes include primarily: food; paper and cardboard; glass; plastics; food cans. Wastes at the Chaltén and Patagonia destinations is still being stored on site, pending selection of a qualified service provider.

#### 4.4 Community Health, Safety and Security

##### 4.4.a Community Health and Safety

Explora's activities, given their nature and scale, pose low risks to the health and safety of local communities. All of Explora's lodges are designed and constructed in compliance with Chilean building codes. Risks associated with the storage and disposal of hazardous materials related to construction activities are managed according to plans and procedures designed to comply with national rules and regulations. When required, these plans and procedures are included in Environmental Impact Statements (*Declaraciones de Impacto Ambiental – DIA*) submitted to the SEIA. For the New Reserve, the Applicability Study presented to the SEIA estimates the production of 450 kilograms of hazardous wastes, which will be composed primarily of rags contaminated with grease and oils, empty paint containers, empty solvent containers, and spent batteries. It also specifies that during the construction period hazardous materials and wastes will be stored in facilities designed specifically for this purpose and that wastes will ultimately be disposed of at a facility authorized by the Sanitation Authority according to Ministry of Health decree 148/2004.

Explora's Plan for Monitoring, Prevention and Control of COVID-19, as well as the Company's COVID-19 Security Protocol, include extensive and robust rules and procedures designed to protect Explora's staff, guests, and surrounding communities from infection.

##### 4.4.b Security Personnel

Explora makes use of security personnel only at its lodge in the Sacred Valley, where the guards are hired through a contract with a Peruvian security service provider. Explora will include in its ESMS a procedure for ensuring that this and any future arrangements for provision of security personnel at its properties aligns with international standards.

#### 4.5 Land Acquisition and Involuntary Resettlement

Explora only acquires land from willing sellers and does not engage in activities that result in physical or economic displacement of any persons.

#### 4.6 Biodiversity Conservation and Natural Habitats

##### 4.6.a General

Nature conservation is central to Explora's mission. The Company's facilities are designed and built to have minimal impacts on natural and critical habitats. For example, at the New Reserve Explora is reusing various existing structures and all new structures will be built on land that was impacted heavily by cattle ranching activities by the previous landowners. The facilities, that have been designed to have a minimal physical and visual footprint, will occupy less than half a hectare of the 6,000 ha that Explora will dedicate to strict nature conservation as part of this same project.

#### 4.6.b Protection and Conservation of Biodiversity

The New Reserve will be the third such Conservation Reserve in Explora's portfolio. The Company intends to place the reserve under a registered conservation easement (*Derecho Real de Conservación*). All works and activities in the reserve will be carried out according to a Reserve Conservation Plan to be developed by The Nature Conservancy in Chile.<sup>16</sup>

Explora already manages 6,000 ha outside of Torres del Paine National Park, and 6,440 ha outside of San Pedro de Atacama. In both cases, habitat conservation is the primary goal.<sup>17</sup>

Explora operates its lodges in Torres del Paine National Park and Patagonia National Park under concession granted by the National Forest Corporation ("CONAF", by its Spanish acronym). The lodge in Torres del Paine is owned by CONAF and has been in operation for over 30 years. The Patagonia National Park concession, transferred to Explora in March 2021, allows the Company to make use of the existing lodging infrastructure that already occupies the site without the need for Explora to make any changes to the existing footprint.

The New Reserve is approximately five kilometers from Torres del Paine National Park at its nearest point, and inside the buffer zone of the Torres del Paine Biosphere Reserve. The objectives of the New Reserve conform well to the buffer zone's planned functions—which include both conservation ("Contribute to the conservation of the landscapes, ecosystems, species, and genetic variation") and development ("Promote economic and human develop that is sustainable from the sociocultural and ecological points of view").<sup>18</sup>

#### 4.7 Indigenous Peoples

##### 4.7.a General

Two of Explora's properties are located within indigenous peoples' territories: Explora Rapa Nui on Easter Island, and Explora Atacama in San Pedro de Atacama. Explora also affects indigenous communities through the operation of its tours at two other locations: the excursions (*travesías*) from San Pedro de Atacama pass through indigenous territories in the Uyuni region of Bolivia; and the excursions from the Sacred Valley lodge also run through multiple indigenous communities.

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<sup>16</sup> The final terms of this arrangement are still being discussed.

<sup>17</sup> For more information see <https://www.explora.com/explora-south-america/>

<sup>18</sup> <https://parquetorresdelpaine.cl/wp-content/uploads/2021/11/Libro-reserva-biosfera-muestra.pdf>

#### 4.7.a.i Avoidance of Adverse Impacts

Given the nature and scale of Explora's operations, their potential adverse impacts on indigenous peoples are relatively minor. By carrying out a concerted program of proactive consultation, the Company has largely avoided the materialization of negative impacts on those communities and fostering positive impacts by actively and thoughtfully involving local communities in respectful arrangements for sharing project benefits. In the Sacred Valley, for example, Explora employs guides and other personnel who speak Quechua and can lead culturally sensitive meetings, promote good communication, and arrive at mutually beneficial agreements with local communities. Sustaining Explora's track record hinges on the implementation of a robust engagement plan including provisions for ensuring systematic follow-up on commitments. Explora will therefore include in its ESMS a dedicated Indigenous Peoples Plan.

#### 4.7.a.ii Participation and Consent

On Easter Island, Explora has developed a novel partnership with a leading figure among the Rapa Nui People. This partnership began over 30 years ago through culturally attuned communications and has been sustained on a foundation of shared benefits and mutual respect ever since: even though the Company operates the lodge, the land and the facility itself are owned by this local partner.

Explora's Indigenous Peoples Management Plan will include provisions tailored to the unique Rapa Nui context, including for engagement with the following key Rapa Nui political actors: i) the Rapa Nui Council of Elders; ii) the HONU<sup>19</sup> (assembly of political/supervisory clans composed of the leader or spokesperson of each of the 36 families that make up the Rapa Nui people); and iii) the Rapa Nui Parliament.

For the San Pedro de Atacama and Sacred Valley lodges, Explora purchased the land from private owners. In Uyuni the Company rents the land from local communities. In all cases, according to Explora's Sustainability Manager, the Company's land and access acquisition processes have been conducted with the local indigenous communities' participation and consent. For the oldest lodges written records of these processes are lacking. However, now that Explora's E&S management capacity has matured the Company documents all of its land/access acquisition activities diligently.

#### 4.7.b Circumstances Requiring Free, Prior, and Informed Consent

Under Chilean law, Free, Prior and Informed Consent ("FPIC") processes are not required for any of the Company's destinations. Nonetheless, Explora carried out a comprehensive engagement process with two communities during the recent process of establishing a new lodge and two mountain houses in Uyuni. Neither of these communities possessed legal titles to the land in question, but each claimed that the future lodge would be located within the boundaries of their traditional territory. Explora participated in meetings with the communities' leaders and in full community assemblies, documented the process in formal meeting minutes, and ultimately signed an agreement granting the Company permission to operate in the territory and providing for benefits to be shared with the communities.

In the same spirit, Explora co-manages with a local community council the Puritama Hot Springs—a resort near its lodge in San Pedro de Atacama—despite legally owning the land on which the springs are located. Explora agreed to this arrangement out of respect for the indigenous communities' claims that they have ancestral use rights of springs.

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<sup>19</sup> The Rapa Nui Ancestral Authority.

#### 4.7.c Mitigation and Development Benefits

Across its operations, Explora has achieved agreements with the communities affected by its operations which have consistently resulted in the sharing of development benefits. These agreements were achieved through processes of good faith, proactive engagement in which the communities' interests and concerns are considered from the start.

Community benefits provided by Explora include direct economic support (e.g., rental fees and access fees) and support for social initiatives. Examples of successful social initiatives include the following: i) reforestation programs with native species in indigenous territories in Perú; ii) support for scientific research and community engagement through TAO, as well as beach clean-ups on Easter Island; iii) local hiring programs; iv) provision of technical support to local food suppliers; and v) establishment of nature conservation reserves that bring tourism dollars to remote communities. As part of its Indigenous Peoples Management Plan, Explora will document and formalize all its current benefit sharing practices and arrangements with the goal of better tracking and measuring the Company's positive social impact.

#### 4.8 Cultural Heritage

##### 4.8.a Protection of Cultural Heritage in Project Design and Execution

Since Explora identified archeological sites at the Puritama Hot Springs and on its property in the Sacred Valley, it launched a conservation program based on a study conducted in 2010. Surveys found a large number of settlements and artifacts, suggesting continual human occupation spanning from hunting and gathering times through to the modern era. In 2016, Explora published the findings of this study in a book called *The Puritama Natural Reserve*, that describes archeological records and oral history from residents of Machuca, the town nearest the hot springs, which indicate that the hot springs themselves have been in use for centuries. To protect this remarkable cultural patrimony, the Company has designated over six thousand hectares of the land surrounding the hot springs as a nature reserve, jointly overseen by Explora and the Council of Atacameñan Towns. The Company donates a portion of the revenues from operating the Puritama Hot Springs to social initiatives that benefit local communities.

In Perú, the cultural-archaeological regulation includes a series of steps that developers must take prior to and during the development of construction projects. In the case of the Sacred Valley lodge, Explora identified archaeological crop terraces on the property before beginning construction. To avoid impacting these terraces, the lodge's designs were significantly modified.

Each of the projects implemented in Peru, was under the supervision of an archaeologist, who was in charge of ensuring the conservation, restoration and enhancement of the cultural value of the three discreet archaeological sites on the property. Moreover, in compliance with the Peruvian legal requirements, Explora catalogued the ceramic pieces found during the study and submitted them to the relevant authorities. During the work, no critical cultural heritage was found. The results of the projects allow for a better understanding of the past usage of the terraces and the causes of their eventual deterioration. For future developments, Explora will incorporate into its ESMS a formal chance find procedure.

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

Information regarding Explora's activities, including the New Reserve, can be accessed through the following link: [www.explora.com](http://www.explora.com)