Environmental and Social Review Summary (ESRS)
Itulpark - Ecuador

Original language of the document: Spanish
Issuance date: September 2023

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

Itulpark Logistics Park (the "Project"), which is being developed through a special purpose vehicle ("SPV") called "Parque Logístico Effitek SAS" (the "Client" or the "Company"), consists of the construction and lease of Class AAA[1] warehouses in the parish of Pifo in the canton of Quito, Ecuador. The land where the Project is located has an area of 150,216 m^2 or 15.02 hectares ("ha"), of which 75,541 m^2 (approximately 50.3%) is covered and the rest consists of a maneuvering yard, parking lots, rest areas, a medical center, and a business center, among other facilities. The Project contains four warehouses: Warehouse 1, which is in the final stages of construction (97% complete) and is about to start operations; Warehouse 3, whose construction has already started and is 35% complete; and Warehouses 2 and 4, which will have a "Build to Suit" format and are about to start their construction process (12 months).

The environmental and social due diligence ("ESDD") included a visit to the Project, meetings with the director, managers, site residents, the Client's operating personnel, as well as interviews with workers. The process also included a review of the Company's relevant environmental and social information, including its Environmental and Social Management System ("ESMS"), occupational health and safety and emergency plans and programs, its emergency plan, and the environmental permits it has already obtained (permits, certifications, etc.), among other documents.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest´s Environmental and Social Sustainability Policy since it will likely generate for the construction phase, the following impacts and risks: i) particulate matter generation (dust) and combustion gas; ii) generation of hazardous and non-hazardous solid and liquid waste; iii) domestic wastewater generation (sewage and gray water); iv) ambient noise and vibration generation; and v) impact on workers' health and safety. During the operation phase, risks mainly relate to: i) generation of hazardous and non-hazardous solid and liquid waste; and ii) increased vehicular traffic in the Project's area of influence. These impacts and risks are deemed to be of medium-low intensity and can be managed with standard control measures.

[1] Height of at least 10 m^2; loading and unloading docks of at least 1.10 m^2 in height; extensive maneuvering yards; special "seamless" floors that do not damage forklift wheels and enable the use of automated technology (perfectly flat land is required); warehouse with a useful life of 40 or 50 years, without major maintenance; services offered: security service with closed circuit, use of Artificial Intelligence for physical security, dining room, food and beverage dispensers; medical office; business center, offices.

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; iv) PS4: Community Health, Safety, and Security.

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

The Project is located in the parish of Pifo in the canton of Quito, province of Pichincha, Ecuador, at Km 19+200 of the El Colibrí - Pifo highway, on the left side of Panamericana Highway E-35, in the South - North direction. According to the current Land Use and Management Plan ("LUMP") of the Quito Metropolitan District ("QMD")[2], the park is located in one of the four existing industrial parks, called "Itulcachi", classified as urban land with specific high-impact industrial land use ("HII"). The location of the industrial parks considers, among other aspects, not affecting territories with high ecosystemic value and sites that are not of archeological importance.

3.2 Contextual Risks

Between 2021 and so far in 2023, Ecuador has seen an increase in gang violence, especially in the country's overcrowded prisons, and an unprecedented rise in common crime with violent deaths. If this situation continues, the country will close 2023 with a homicide rate of 40 homicides per 100,000 inhabitants, making it the most violent in the region[3]. Most of the crimes are related to disputes between criminal groups for territorial control of drug trafficking on a micro and macro scale.

Moreover, in response to the various structural problems affecting Indigenous communities and low-income households (inadequate access to health, education, employment, and the elimination of fuel subsidies), in June 2022, violent social demonstrations were held by Indigenous groups, which resulted in roadblocks and blockades of food and supply lines to the country's main towns. These demonstrations also generated significant economic impacts on various industries, affecting their value chains due to the impossibility of transporting raw materials and finished products.

[2] Approved by Metropolitan Ordinance 001-2021 on September 13, 2021. https://pam.quito.gob.ec/tuciudadenlinea.aspx

[3] https://elpais.com/internacional/2023-07-10/la-inseguridad-en-ecuador-escala-a-niveles-historicos-y-se-impone-como-prioridad-del-proximo-gobierno.html

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

The Client[4] has an environmental and occupational health and safety (OHS) management system certified under ISO 14001 and ISO 45001, respectively. Nevertheless, it will update and implement an Environmental and Social Management System ("ESMS") specific to the Project, for the construction and operation phase, to include: i) policies; ii) risk and impact identification procedures; iii) management programs; iv) organizational capacity and competency requirements; v) emergency preparedness and response protocols; vi) stakeholder engagement procedures; vii) external communications protocols and grievance mechanisms; viii) procedures for the distribution of periodic reports to affected communities; and ix) monitoring and review protocols.

4.1.b Policy

The Client has several environmental and OHS policies in place. Nevertheless, these will be updated for the construction phase of the Project to include its commitment to the safety and health of the neighboring communities. Similarly, for the operation phase, it will develop an environmental, OHS, and community health and safety policy(ies).

4.1.c Identification of Risks and Impacts

As part of the process of obtaining the environmental permit from the competent control authority, the Client has developed a process to identify the key environmental aspects of the Project. Nevertheless, this will be expanded to include the identification and evaluation of risks and impacts to the communities in the Project's area of direct social influence for its construction and operation phases. In addition, it will develop environmental and OHS risk identification matrices for the operation phase.

Regarding hazard identification and risk assessment for the construction phase, the Client has developed its Hazard Identification and Risk Assessment ("HIRA") matrices for all activities and jobs.

The Client must also obtain the permission of the Fire Department prior to the start of operation of the Project.

4.1.c.i Analysis of Alternatives

The Client, based on the characteristics and limitations of use of the industrial parks defined in the current LUMP, conducted an analysis of alternatives for the Project. This process resulted in Itulcachi being chosen because of its strategic location: its proximity to Quito's international airport and the availability of roadway corridors for entering and exiting the city.

[4] Through its main contractor and shareholder, Sevilla y Martínez Ingenieros C.A. (SEMAICA).

4.1.c.ii Gender Risks

For the construction phase of the Project, the Client has obtained the "Safe Company, free of violence and discrimination against women" seal granted by the Ecuadorian Chamber of Industries and Production (*Cámara de Industrias y Producción del Ecuador*). Nevertheless, for all phases of Project development, it shall develop and disseminate a policy (applicable to all its employees, as well as those of contractors and subcontractors) that prohibits gender-based violence and harassment, discrimination, and sexual harassment. Likewise, the Client will ensure, through its grievance mechanism, that gender violence cases are handled, providing guarantees to ensure confidentiality of the complainants, as well as the prevention of retaliation and sanctions.

4.1.c.iii Climate Change Exposure

The Project, as a result of a moderate variation in rainfall variations in the area where it is located, as well as the worsening of drought events, may be affected by the intensification of climate change-related events. Thus, the Client will update the Emergency Plan for the construction phase of the Project, to include, among others: i) the effects of climate events on its hazard identification and risk assessment ("HIRA") matrices; and ii) the identification of risks affecting the Company's assets and its supply chain.

The Project is considered to be aligned with the Paris Agreement based on an analysis conducted in accordance with the IDB Group's Implementation Approach for Alignment with the Paris Agreement.

4.1.d Management Programs

The Project has an Environmental Management Plan ("EMP") that defines the measures to prevent and mitigate the impacts identified for its construction and operation phases. The EMP includes the following plans: i) communication and training; ii) contingencies; iii) waste management; iv) monitoring and follow-up; v) impact prevention and mitigation; vi) community relations; and vii) occupational health and safety. Nevertheless, the Client will develop specific management programs for the operation phase in order to comply with the EMP.

4.1.e Organizational Capacity and Competency

For the construction phase of the Project, the Client has an Occupational Health and Safety and Environment ("OHS&E") Coordinator, an OHS&E assistant and a paramedic who is permanently on the site. These professionals are supported by a corporate team comprising the Head of Management Systems ("MS") and the Occupational Physician. The OHS&E Coordinator reports directly to the Head of MS and the Project Manager, while the paramedic, who coordinates the field work with the OHS&E manager and assistant, reports to the Occupational Physician.

The Client has contracted an external management company for the operation phase of the Project, which has an OHS&E Coordinator who reports directly to the Project's CEO and the Logistics Park Administrator.

4.1.f Emergency Preparedness and Response

For its construction phase, the Project has an Emergency and Contingency Plan which includes the following: i) the identification of the types of emergencies according to their origin; ii) information and communications management protocols (evacuation maps); iii) emergency detection and response requirements (alarms, firefighting equipment, emergency response equipment, safety signs, etc.); iv) a list of the human resources available (brigade members, occupational physician, head of OHS); v) action protocols before, during, and after an emergency; and vi) a flow chart of how communications should be handled. In addition, during the construction phase of the Project, the Client has conducted annual drills, which, after being evaluated, define corrective actions to improve the emergency response system.

For the operation phase of the Project, the Client will develop an Emergency Plan to include: i) administrative and operational actions that are also applicable to contractors and subcontractors to control and mitigate potential harm to direct and indirect workers, people in potentially affected communities within the project's ADI, the environment, and infrastructure; ii) identified climate risk scenarios (natural disasters and climate change) most relevant to the Project; iii) need for the dissemination and training on natural disaster protocols; and iv) requirements for annual drills.

4.1.g Monitoring and review

Due to the environmental permit it holds, the Client annually submits environmental compliance reports (ECR) to the corresponding control authority[5]. Likewise, due to the certifications it holds for the construction phase, it is subject to annual external recertification audits and performs internal audits of the Project every six months. It also conducts daily site inspections to verify compliance with the EMP and other OHS management programs. Nevertheless, the Client will prepare for the construction and operation phases a compliance matrix for all legal and contractual obligations of the Project, to include, among other aspects: i) the control organism that issues the permit or license; ii) the dates of issuance and validity; and iii) the internal persons responsible for monitoring the corresponding renewals in environmental and OHS matters.

In addition, for the Project's operation phase, the Client will develop and implement procedures to evaluate the effectiveness of its ESMS, using key performance indicators (“KPIs”).

4.1.h Stakeholder Engagement

The Company will develop and implement a Project Stakeholder Engagement Plan ("SEP") that includes: i) stakeholder identification and mapping in the Project's area of direct social influence ("ADSI"); and ii) future stakeholder engagement activities, including social investment programs.

[5] Secretariat of Environment of the Metropolitan District of Quito.

4.1.h.i Disclosure of Information

The Client will carry out a consultation and informed participation process on the Project, including the most relevant environmental and social aspects with the communities identified within the Project's ADSI.

4.1.i External Communication and Grievance Mechanisms

The Client shall develop, disseminate, and implement a Grievance Mechanism for Communities and stakeholders affected by the Project, to include: i) a detail of the channels for capturing complaints; ii) a description of the documentation system for recording, tracking, analyzing, and resolving complaints iii) details of response times and records; iv) a description of the mechanisms for communication and dissemination of complaints filed and processed; v) a detail of how the mechanism will be disclosed to the area of influence communities and relevant stakeholders; and vi) a description of how the mechanism will handle cases of gender-based violence.

4.1.i.i Ongoing Reporting to Affected Communities

The Client will provide information on the Project, including: i) its environmental and social performance; ii) a summary of responses to complaints filed; and iii) the operation of the external grievance mechanism.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

The Client has Internal Labor Regulations ("ILR") for its construction workers, which defines the guidelines that regulate the relationship between workers and the Company. These regulations are disseminated and delivered to all employees prior to the start of their work.

To date, the project has 97 employees, of which 14% are administrative and 86% operational. Of the total number of workers, 35% of them are Company employees and the remainder belong to contractors for the assembly of metallic structures and earthworks. It should be noted that 80% of the Project's personnel come from the surrounding areas[6]. During the peak of the Project, a total of 200 workers are expected.

Working hours for construction workers take place during daytime. No night shifts occur at present. Such work may, however, be required from time to time, and appropriate procedures and a safe work analysis ("SWA") shall be available to perform it.

The Client, in addition to the benefits provided by law, grants its workers a transportation subsidy and provides them with food. It has provided its contractors with a suitable on-site cafeteria and a catering service.

[6] Sangolquí, Pifo, Itulcachi, Cumbayá.

The Project currently employs 4 people for the operation phase. Of these, one is a woman, who is in charge of cleaning tasks. Once the construction of all the planned warehouses is completed, however, this number is expected to increase to 16. The Client is currently in the process of selecting a food supplier who will provide this service to all personnel working in the logistics park.

4.2.a.i Human Resources Policies and Procedures

The Client has a Human Resources and Staffing Policy for the construction phase. Nevertheless, it will develop a Human Resources Policy for the operation phase, covering its direct employees and contractors.

4.2.a.ii Working Conditions and Terms of Employment

For the operation phase, the Client must develop and disclose the ILR for its own employees. These regulations will include provisions for contractors, suppliers, and visitors.

4.2.a.iii Workers' Organizations

The Client, complying with the international conventions and treaties of the International Labor Organization ("ILO") relating to workers' rights and ratified by Ecuador, allows freedom of association and protects the right to organize, to associate, and to bargain collectively. At present, however, there is no labor union for the Project's workers.

4.2.a.iv Non-discrimination and Equal Opportunity

The Client, abiding by national legislation (including the conventions[7] of the ILO ratified by Ecuador), maintains transparent recruitment and selection procedures prohibiting discrimination against workers based on disability, ethnicity, origin, sex, gender and cultural identity, marital status, language, religion, political ideology, socioeconomic or demographic status, or state of health.

4.2.a.v Retrenchment

The Project complies with the provisions of the Labor Code ("LC"), as well as with the rules and regulations in force regarding voluntary or involuntary termination (untimely dismissal) of personnel. In this sense, a large part of the workers employed in the construction of its projects are usually transferred to other projects that it maintains.

4.2.a.vi Grievance Mechanism

The Company will develop and implement an internal grievance mechanism applicable to all phases of the Project, open to all Project workers, including contractors, to include: i) details of the channels for receiving complaints; ii) a description of the documentation system for recording, tracking, and analyzing complaints and solutions; iii) details of defined timeframes and response records; iv) a

[7] Convention No. 100 concerning Equal Remuneration and Convention No. 111 concerning Discrimination (Employment and Occupation).

description of the mechanisms for communication and dissemination of complaints filed; v) the ability to capture complaints of harassment or gender-based violence; vi) the ability to respect the anonymity of the complainant; and vii) a guarantee of zero tolerance for retaliation against those who file a complaint.

4.2.b Protecting the Workforce

The Client, in compliance with local regulations in force[8], the ILO conventions ratified by Ecuador and the provisions of its Code of Ethics, prohibits child and forced labor for its workers and those of its contractors. The ESDD found no evidence of practices of these types of labor.

4.2.c Occupational Health and Safety

For the construction phase of the Project, the Client has Occupational Health and Safety Internal Regulations (OHSIR), which: i) determine the necessary occupational health and safety ("OHS") standards to carry out the tasks safely; ii) detail the obligations and responsibilities of workers and the Company; iii) provide information on existing hazards and risks, as well as their prevention and mitigation measures; and iv) promote occupational safety by fostering a safe work environment. For the operation phase, in compliance with the regulations in force, it will develop and disseminate to its workers a specific OHSIR for this stage.

The Client has procedures for managing the OHS risks of construction activities, which, among others, include: i) hazard identification and risk assessment; ii) provisions for special work (work at height, hot work, electrical, confined spaces); iii) job safety analysis ("JSA"); and iv) protocols for investigating occupational accidents and occupational diseases.

The Client, for the construction phase of the Project, in compliance with national laws[9], has formed its Joint Committee for Occupational Health and Safety ("JCOHS"). Formed by representatives of the Company and the workers, this committee's main functions include: i) ensuring compliance with the JCOHS; ii) identifying hazards and risks in construction activities; and iii) promoting a preventive safety culture to avoid accidents and occupational illnesses. The JCOHS meet on a monthly basis and the issues discussed are recorded in minutes for subsequent control and follow-up.

To date, there have been no occupational accidents. Incidents are recorded, reported, and investigated by an Investigation Committee consisting of the person in charge of OHS, the Superintendent, and the site Resident, and the workers where the accident occurred. The committee prepares an investigation report and defines the corrective actions required to prevent its occurrence.

During all phases of the Project, the Client will perform occupational hygiene measurements required according to the HIREC matrices.

---

8 Labor Code and Childhood and Adolescence Code.

9 Regulation for Worker Health and Safety and Improvement of the Working Environment (Executive Decree No 2393/1986), every organization with more than 15 workers must form a Joint Health and Safety Committee.

The Client has a Health Surveillance Plan for the construction phase, in compliance with current regulations, which, among other aspects, includes the need for entrance examinations with their respective work aptitude certificate, periodic, special, and exit examinations. The paramedic also performs daily on-site inspections to identify possible unsafe acts or conditions that could affect workers' health. In case a medical emergency evacuation is required, the Client has identified the nearest health centers and arranged the necessary resources to mobilize patients to these locations.

The Client will develop and implement a Health Surveillance Plan for its workers for the operation phase of the Project.

4.2.d Provisions for People with Disabilities

The Client will define specific provisions for the operation phase of the Project to ensure the full development of workers with disabilities.

4.2.e Workers Engaged by Third Parties

The Client has a contractor selection procedure that includes environmental, OHS, and labor requirements. These requirements have been incorporated into the contractual clauses of the contracts it enters into with contractors. All contractors are provided with a Safety, Health, and Environmental Instruction.

The Client shall promote and verify the hiring of local labor from its contractors.

4.2.f Supply Chain

The Human Resources Policy to be developed by the Client will also apply to all its suppliers. It shall contain provisions prohibiting forced labor and child labor practices.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

From the design and planning phase, the Project has considered the generation of clean energy by installing solar panels in its facilities.

4.3.a.i Greenhouse Gases

The greenhouse gases (GHG) to be generated during construction (12 months) will be mainly combustion gases (NOx, SO_2, CO_2) from mobile (vehicles and heavy machinery) and stationary (electricity generators, generator sets, and forklifts) sources. While the amount of emissions is considered to be immaterial, the Client will conduct an annual GHG emissions inventory including scope 1 and 2 for all the phases of the Project.

4.3.a.ii Water Consumption

Water for construction activities is provided by authorized companies using tanker trucks. For the operation phase, water will be supplied from a deep well, for which the Client has already obtained the corresponding water use and development permit.

The Client will keep a record of the volume of water used for the construction and operation phases, and of discharge as authorized.

4.3.b Pollution Prevention

No material generation of liquid effluents is foreseen during construction, as there will be chemical toilets that will be managed by a duly authorized company. During the operation stage, the domestic effluents generated (estimated at 75 m^3/day) will be treated in a wastewater treatment plant (WWTP), which is currently in the stabilization stage, and whose treated effluent will meet the requirements to be discharged under the environmental permit obtained. Thus, the Company will: i) develop and implement a procedure for the operation and maintenance of the WWTP; ii) perform monitoring of the discharge water on a quarterly basis; iii) keep a record of the volume of discharged water; and iv) in the case of discharge of effluent into a body of water, monitor water quality upstream and downstream of the water discharge point during the dry and rainy seasons of the year.

To control air quality impacts during the construction phase, the Project has foreseen, among others, the following requirements: i) the requirement of technical vehicle inspection certificates; ii) the maintenance of machinery and vehicle engines; iii) the wetting of access roads and work fronts; iv) the use of tarpaulin covers for loads; v) the watering of access roads and work fronts; vi) the delimitation of areas and access for the development of activities; and vii) the establishment of speed limits (20 km/h) in certain areas. The preventive maintenance program for equipment and machinery will be observed during the operation stage.

For ambient noise control during the operation phase of the Project, the Client will request vehicle inspection certificates, prohibit the use of sirens, and require compliance with working hours.

4.3.b.i Waste

During the construction phase (underway), the Project generates non-hazardous solid waste (food scraps, disposable material) and waste from the construction process (soil, mixed aggregates, stones, concrete, glass, plastics, metallic and non-metallic scrap, and wood), which are being taken to authorized landfills by authorized carriers. Due to the foregoing, the Company monitors: i) the hazardous and non-hazardous solid waste generation; ii) the manner of its final disposal; and iii) the consumption of fuels, lubricants and oils. This task will also continue in the operation phase.

4.3.b.ii Hazardous Materials Management

The Client must provide on-site storage sites for hazardous materials, ensuring that: i) the storage conditions comply with national regulations and accepted international standards; ii) material

safety data sheets (“MSDS”) always exist in these places for each product; iii) substance incompatibility information be generated; iv) (v) spill kits are available at each storage site appropriate to the quantity or volume stored; and a contingency plan in case of spills or accidents.

For the operation phase, the Client will develop and implement a hazardous materials handling and storage procedure similar to the one used for the construction phase.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The Company will develop a Road Management and Safety Plan that includes: i) control measures for the identification of potential risks associated with increased heavy vehicular traffic during construction; ii) protocols for monitoring vehicle conditions, and drivers’ health conditions; iii) training requirements for drivers (defensive driving); and iv) measures to foster a culture of road safety among road users and local communities.

4.4.a.i Infrastructure and Equipment Design and Safety

The Project’s life and fire safety systems ("L&FS") have been designed to local regulations, are based on international industry best practices, and are aligned with the standards of the National Fire Protection Association (“NFPA”). The Company has obtained approval (approval of drawings) for the design of the firefighting system (“FFS”) of the DMQ Fire Department. Nevertheless, the Client shall obtain the corresponding permit for the operation phase of the Project.

4.4.b Security Personnel

The Client shall develop and implement a Physical Security Management Manual that includes: i) professional ethics issues; ii) a commitment to respect human rights by adhering to the United Nations Voluntary Principles ("VPs") on Security Forces and Human Rights; iii) reasonable investigation methods to ensure that security personnel do not have a criminal record and have not been involved in cases of abuse; iv) specific procedures for the use of firearms; and v) training requirements regarding the progressive use of force.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not involve any physical or economic involuntary displacement of the population.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

As it is located in a heavily anthropized area, the Project will not have a material impact on biodiversity or living natural resources.

4.7 Indigenous Peoples

The Project will not affect any Indigenous community or intercept any type of ancestral territory.

4.8 Cultural Heritage

The Project is not located in an area of archaeological interest.

5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link: https://itulpark.com/