

Environmental and Social Review Summary (ESRS) Tembici Equity Investment– Regional Project

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

IDB Invest is considering an equity investment (“the Project”) in Tembici (“the Client” or “the Company”). The Client is the leading micro-mobility player in Latin America operating docked bike-sharing programs in 4 countries and 13 cities throughout the region. In Brazil, the Company operates in São Paulo, Rio de Janeiro, Riviera, Salvador, Brasília, Recife, Olinda, Jaboatão and Porto Alegre. In Argentina it covers Buenos Aires and Nordelta. In Colombia it operates in Bogota, and in Chile, in Santiago.

The bicycles are assembled in two plants in Brazil. The first one is in Extrema, in Minas Gerais State, and the second and newer, in Manaus, Amazon State. From both assembly plants, the bicycles are distributed to each sharing location. By the end of 2022, Tembici had a fleet of 21,000 bikes, with 4 million registered users and over 1,100 employees. The Company, through its shared conventional and electric bicycles, has contributed to the reduction of more than 26,000 tons of CO₂ equivalent since 2020.

The Environmental and Social Due Diligence (“ESDD”) covered: i) meetings with Company personnel; ii) documentation review (environmental, social, risk and impact management, waste management, labor relations, health and safety, environmental permitting, etc.); and iii) site visits to the Company head office and a bicycle maintenance workshop in São Paulo, and to the bicycle assembly facility in Manaus.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest Environmental and Social Sustainability Policy since it will likely generate, among other, the following impacts: i) solid waste generation, ii) hazardous materials and waste, iii) health and safety risks, and iv) potential conflict with neighboring communities.

These impacts are deemed to be of medium-low intensity, are generally limited to the project site, largely reversible, and can be mitigated via measures that are readily available and feasible to implement in the context of the operation.

The 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.

3. Environmental and Social Context

3.1 General characteristics of the Project’s site

The Company’s Head Office is in São Paulo. To support the operation there are offices, depots, and bicycle maintenance shops in all cities where it operates. The two main assembly plants in Brazil are located within Industrial Districts in the municipalities of Extrema, Minas Gerais State, and Manaus, Amazon State. From each factory the new bikes are distributed by ship, truck, and plane to the cities where the Company has operations.

The bicycles are distributed throughout the urban areas by means of dock stations. These are used to store the bikes and charge electric bikes. To approve the placement of the stations, consultation with neighboring communities is carried out and permits are issued by municipal authorities. The stations are usually placed near transportation hubs to facilitate integration with public transport.

The customers access the bikes through a mobile phone application. All processes are automated. The Client monitors dock stations occupancy and uses pick up trucks to replenish, remove or redistribute bikes. Defective equipment is sent to bike shops, where maintenance is given. The creation of new dock stations is discussed with municipal authorities (who issue the corresponding permits) as well as neighboring communities.

The Client is increasing the share of electric bikes to fulfill market demands. Therefore, it has a research and innovation laboratory in São Paulo to enhance the quality and durability of the bikes, lower maintenance needs and improve environmental and social indicators in the assets’ lifecycle.

There are special facilities dedicated to food couriers, which offer resting areas, energy plugs to recharge cell phones, water, toilets, and appliances to warm meals. Road safety training is provided to food couriers, as well as helmets, water bottles, cell phone protectors and ultraviolet filtering shirts.

3.2 Contextual risks

All Client infrastructure is located in urban areas. Given the context of this operation, the main contextual risks refer to theft or vandalism. To counteract these issues, all bikes are fitted with GPS¹ receptors and their movements are monitored by means of a dedicated GIS² software. Abnormal situations are rapidly detected and monitored, and, when necessary, a series of automated warnings are sent to the users. If no response is obtained, unarmed security teams are dispatched to recover the bikes. This system has reduced theft and vandalism to residual levels. In addition,

¹ Global Positioning System.

² Geographical Information System.

bikes are designed with specific components, with no value on the secondary market. Finally, e-bikes are equipped with remote engine lock, sound alarm and engines that can only be activated with a unique code provided by the manufacturer.

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

Except for the Bicycle assembly plants in Brazil, most of the Client's activities do not require environmental permits. However, the Company has an Environmental and Social Management System ("ESMS").

4.1.b Policy

The Client has an Environmental and Social Policy which contains: i) objectives; ii) target audience; iii) principles; iv) commitments; v) strategic directives; vi) relationship with third parties; v) governance, and vi) guidelines for its implementation.

4.1.c Identification of Risks and Impacts

As part of its ESMS, the Client has a Risk Assessment Policy, that contains: i) objectives; ii) target audience; iii) validity date; iv) risk management procedures, and v) document classification. The Company uses this policy to identify and treat potential health & safety, environmental and social risks, and impacts.

4.1.c.i Direct and indirect impacts and risks

The main potential direct negative impacts include: i) solid waste generation, ii) hazardous materials and waste, iii) health and safety risks, and iv) potential conflict with neighboring communities. Positive direct impacts comprehend: i) reduction of Greenhouse Gas ("GHG") emissions; ii) increased micro-mobility; and iii) job generation, among others.

The main indirect impacts include: i) health benefit for users; ii) tax generation; and iii) micro-mobility innovations on a regional scale, among others.

4.1.c.ii Analysis of alternatives

The Company's office buildings, depots, bike shops and assembly plants are all in urban areas or industrial districts and are leased for use. Therefore, no alternative assessment is required for these installations.

The location of dock stations is defined in consultation with municipal authorities and neighboring communities to detect potential conflicts with land use, local regulations, and community habits.

The feedback from the consultation process ensures that the stations are all installed in acceptable areas.

4.1.c.iii Cumulative impact analysis

No cumulative impact assessment is required for this type of Project in any of the countries where it operates. However, a rapid assessment of potential cumulative impacts on Valued Environmental Components (“VEC”) demonstrates: i) beneficial effects on urban mobility; ii) reduction in GHG emissions; and iii) improvement in public health. Negative potential cumulative impacts on: i) waste generation; ii) hazardous products; iii) occupational health and safety, and iv) effluent generation were considered negligible.

4.1.c.iv Gender risks

The Project will be developed in Brazil, Argentina, Colombia, and Chile. Gender-based Violence (“GBV”) is still a risk in these countries. According to Smith and Fraser, (2022)³ Latin America has the highest rate of violent, gender-based deaths (femicide) in the world, with 10 of the 12 countries with the highest global rates. Femicide rates in the countries covered by the Project in 2020 were as follows: i) Brazil had 1,738 cases and a rate of 1.6⁴; ii) Colombia had 182 cases and a rate of 0.7; iii) Argentina had 251 cases and a rate of 1.1, and iv) Chile had 43 cases and a rate of 0.5. This demonstrates that there is much work to do in Latin America to reduce the incidence of GBV.

To prevent GBV risks, the Client has an Integrity Manual that covers rules and procedures dealing with: i) responsibilities; ii) corporate governance; iii) respect to plurality and equity; iv) repudiation to moral and sexual harassment; v) relationship with public officials; vi) sponsor and client relationships; vii) relationships with providers; viii) conflict of interest; ix) gifts and entertainment policy; x) social media; xi) grievance channel; xi) compliance, and xii) conformity declaration, among other requirements. Moral and sexual harassment are not tolerated. Integrity Manual violations may result in disciplinary measures, including contract termination, as well as prosecution of offenders.

Another tool in the context of GBV prevention is the Ethics Channel, where complaints can be filed using the internet, WhatsApp, or a toll-free line. This channel accepts anonymous grievances. Complaints are received by an independent company and relayed to an Ethics Committee and a People Sub-committee that receive, assess, and respond to them. The investigation procedures are confidential and retaliation to complainants is not allowed.

4.1.c.v Climate change exposure

The Client is a micro-mobility provider across diversified geographies, in various countries in urban centers. While transport and related infrastructure is inherently sensitive to (climate) hazards (e.g.,

³ Smit, H.; Fraser, E. Violence Against Women and Children Helpdesk: Latin America Regional Analysis. What works to Prevent Violence. 2022. chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://ww2.preventvawg.org/sites/default/files/2022-03/Ending%20VAWC%20HD%20Report%2010%20Latin%20America%20GBV%20trends.pdf

⁴ Femicides are reported as cases per 100,000 women.

pluvial, and fluvial flooding), the impacts on the counterparty are not material, given the business model and diversification.

Based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach (Document GN-3142-1), the proposed transaction is considered aligned with the Paris Agreement.

4.1.d Management Programs

Under the ESMS, the Company has developed the following management procedures: i) risk assessment; ii) mergers and acquisition; iii) environmental and social (“E&S”) training program; iv) emergency preparedness and response; v) stakeholder engagement; vi) human resources policy; vii) diversity and inclusion strategy; viii) third parties management policy; ix) occupational health and safety (“OHS”) manual; x) OHS medical control program; xi) OHS risk management program; and xii) OHS workplace ergonomic analysis.

4.1.e Organizational Capacity and Competency

The Company’s teams are organized under 7 directorships, structured as follows: i) Chief Executive Officer (“CEO”); ii) Chief Impact Officer (“CIO”), including the following teams: Environmental, Social and Governance (“ESG”), People Management, Diversity and Inclusion and Social Development; iii) Chief External Officer (“CXO”): Government and Institutional Affairs and Public Policy; iv) Chief Business Officer (“CBO”): Operations (maintenance and logistics), Marketing, Commercial, Business Development and Public relations; v) Chief Growth Officer (“CGO”): Procurement, Supply Chain, Expansions and Bike Deployment; vi) Chief Financial Officer (“CFO”): Finance, Strategy, Fundraising, Legal and Facility and vii) Tembici LABS: Tech and Product, Research and Development, Information Technology, Data Protection and Data Analytics.

4.1.f Emergency Preparedness and Response

The Company’s Emergency Preparedness and Response Procedure encompasses: i) objectives; ii) target audience; iii) validity; iv) definitions; v) responsibilities; vi) emergency brigade attributions; viii) resources; ix) emergency level classification; x) emergency response procedures; xi) emergency scenarios and expected responses; xii) simulations; xiii) emergency brigade organigram, and xiv) report templates.

4.1.g Monitoring and Review

Under the ESMS, the Company has a monitoring and review procedure that includes: i) introduction; ii) objectives; iii) target audience; iv) monitoring procedures, and v) document classification.

4.1.h Stakeholder Engagement

The Clients Stakeholder Engagement Plan was developed to address neighboring communities and includes: i) objectives; ii) engagement process; iii) engagement activities; iv) stakeholder mapping; v) communications plan; vi) responsibilities; vii) flowcharts and viii) surrounding area plan.

4.1.i External Communication and Grievance Mechanisms

The Company operates an Ethics Channel, where complaints can be filed using the internet, WhatsApp, or a toll-free line. This channel accepts anonymous grievances. Complaints are received by an independent company and relayed to an Ethics Committee and a People Sub-committee that receive, assess, and respond to them. The investigation procedures are confidential and retaliation to complainants is not allowed.

4.2 Labor and Working Conditions

The Company has currently 1,104 employees of which 325 (29.4%) are female.

4.2.a Working Conditions and Management of Worker Relationships

The Client complies with all labor regulations in the countries where it operates. Human Resource (“HR”) procedures cover extra working hours, salaries, compensation, disciplinary measures against discrimination, anti-harassment, benefits etc.

4.2.a.i Human Resources Policies and Procedures

The Company’s Human Resource Policy aims to: i) apply the best corporate governance practices; ii) ensure legal compliance with current and applicable legislation and regulations; iii) conduct business ensuring transparency and integrity in relationships with its different stakeholders; iv) fully comply with the Integrity Manual ensuring respect for diversity, confidentiality of information, care for assets, best anti-corruption practices and the denouncement of any conduct in disagreement with the Manual through the ethics channel; and v) generate economic and financial results, ensuring the expansion and growth of the business.

4.2.a.ii Working Conditions and Terms of Employment

According to labor regulations, personnel work 8 hours per day with 1 hour lunch break. Operations and factory personnel work in shifts. Benefits include a health plan, dental care plan, food tickets, and transport tickets. The Client recently approved a Hybrid Work Model whereby corporate employees should be at the office between 6 and 8 times a month.

4.2.a.iii Workers’ Organizations

The Company is affiliated to three unions, according to the segment of each work activity (metal workers, commerce workers and union workers) with representation in each of the states where it operates. Even though there are no limitations to constitute or enroll in one, currently there are no unionized workers.

4.2.a.iv Non-discrimination and Equal Opportunity

The Company has a D&I Strategy, dedicated to promoting a diverse and inclusive working environment. Under such strategy, D&I personnel maintain a diversity dashboard, which is updated on a monthly basis. In addition, the Company runs an annual worker census to map the team composition according to D&I criteria and sets targets and strategies for the following year. Monthly meetings are maintained with departments to promote awareness on D&I themes. Business climate surveys are periodically carried out.

Results of the 2022 Company's D&I census (responded by 88.1% of the employees) showed the following: i) 52.1% of the total personnel is afro descendant; ii) 18.8 % is LGBTQIA+; iii) 13.8% is non-binary; and iv) 5,7% is people with disabilities.

4.2.a.v Retrenchment

There are no planned collective dismissals. For individual dismissals, the Company follows labor regulations in all countries where it has operations.

4.2.a.vi Grievance Mechanism

In 2022 the Company did not receive external complaints. However, 29 internal grievances were received and dealt with. Of these, 17 were closed and 12 remain open.

The Company has 65 lawsuits concerning labor themes. Most of them refer to disputes about overtime remuneration. Of these, 8 are closed and 57 remain open.

4.2.b Protecting the Workforce

Child and forced labor are strictly forbidden under the terms of the Integrity Manual. The Company uses an E&S checklist (self-declaratory) for suppliers, to verify providers documentation and procedures. It also applies specific clauses to address environmental and social main concerns in all contracts, including the prohibition of child labor and forced labor.

4.2.c Occupational Health and Safety

The Client has developed several procedures to manage its occupational health and safety ("OHS"), including: i) a Risk Assessment Policy; ii) OHS Manual; iii) OHS Medical Control Program; iv) OHS Risk Management Program; and v) OHS workplace ergonomic analysis.

In 2022 there were 34 accidents with lost time, resulting in 303 lost days. No fatalities were recorded. The Lost Time Injury Frequency Rate ("LTIFR") was 16.75. The Client established a target LTIFR of 15 for 2023 and, therefore, will enhance OHS provisions for factory workers to promote accident reduction.

4.2.d Provisions for people with disabilities

Under the D&I Strategy, the Client promotes opportunities for people with disabilities (“PWD”). In 2021 only 4% of the personnel were PWD. This increased to 5.7% in 2022.

4.2.e Workers Engaged by Third Parties

The Client has a Third-Party Management Policy that includes the following contents: i) objectives; ii) definitions; iii) target audience; iv) responsibilities; v) general guidelines; vi) health and safety requirements; vii) environmental management requirements; viii) management of hazardous substances; ix) control of environmental impacts; x) safety rules; xi) work accident communication procedures; xii) confidentiality; xiii) grievance channel, and xiv) final considerations.

The Company also applies contractual provisions to control contractor’s performance, including compliance with the Integrity Manual, OHS Risk Assessment and other requirements. Contractor’s activities are supervised by the Clients OHS team.

4.2.f Supply Chain

The Client’s supply chain is mostly directed to the purchase of parts that are assembled in two plants in Brazil. There are contractual provisions forbidding child and forced labor practices. The Company applies a questionnaire to all suppliers to assess the compliance with its procedures. Suppliers are required to provide information on E&S, D&I, and anticorruption practices.

Currently, the Client is working to increase the local content of their bikes to reduce its dependence on international suppliers.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

In 2022 the Company’s energy consumption reached 766 MWh. The Client uses solar panels to power some dock stations. These panels produced 369.8 MWh in 2022.

4.3.a.i Greenhouse Gases

The Company has low Greenhouse Gas (“GHG”) emissions. In 2022 Scope 1 emissions (stationary combustion, mobile combustion, and fugitive emissions) totaled 907 tons of CO₂ equivalent and Scope 2 (energy consumption) 75 tons of CO₂ equivalent.

Even though its GHG emissions are low, the Company is implementing measures to reduce them even further. These include: i) electrification of Company motorbikes; ii) electrification of its car fleet in Bogotá, to replace fossil fuel powered vehicles, and iii) replacement of diesel oil by natural gas as fuel in some company vehicles.

By fostering the use of bikes as a means of transportation, the Company has contributed to a potential reduction of about 10,000 tons of CO₂ equivalent in 2022.

4.3.a.ii Water Consumption

The Client's water consumption is modest. In 2022 its entire operations consumed 9.8 m³. Even though, since December 2022, the Company is implementing the following initiatives to reduce water consumption: i) revision of associated infrastructure (valves, seals, possible leaks, etc.) to identify and eliminate leakages; ii) analysis of the feasibility of installing pressure reducers at the outlet of taps; iii) introduction of biodegradable cleaning products, which use less water to rinse washed areas, and iv) usage of a floor washing machine, which reduces water consumption compared to manual washing, providing water savings of around 50% to 70% in large washes.

4.3.b Pollution Prevention

4.3.b.i Wastes

The Company implements procedures to quantify and segregate waste according to its type. Recycling is prioritized, since bicycle manufacturing utilizes materials with a high demand for internal reuse (aluminum, other metals, plastic, and rubber). In 2022, 96% of the Company's operational waste was recycled.

Liquid effluent is limited to sewage from workers. All Client facilities are connected to public sewage collection and treatment networks.

4.3.b.ii Hazardous Materials Management

Hazardous waste produced by the Client consists mostly of batteries, cloths with lubricant oil and other substances used both in assembly and maintenance operation of the bikes. Under the waste management procedure, hazardous waste is segregated, stored temporarily in containers, and transported by licensed providers for final elimination (co-processing and incineration at licensed facilities).

The assembly plants and maintenance shops handle some hazardous materials including paints, solvents, lubricants, detergents, and batteries. Batteries are stored in isolated depots provided with fire extinguishers and are stored over racks to prevent contact with the floor of the facility. Other hazardous substances are stored in lockers with ventilation, away from other materials. Access to hazardous substances depots is controlled and limited to authorized personnel.

4.3.b.iii Pesticide Use and Management

The Client does not handle pesticides.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The Company operation may affect neighboring communities mainly through the location of dock stations, as they may interfere with local activities. In addition, bike users can be affected by traffic accidents.

4.4.a.i Infrastructure and Equipment Design and Safety

The bikes used by the Client are designed to withstand intensive use. Defective equipment is rapidly detected and removed for maintenance. The Client is developing a new bike that will contain many improvements to enhance durability and reduce maintenance needs.

The use of the bikes by food couriers is accompanied by road safety training, the provision of helmets, ultraviolet shirts, water bottles and cell phone protectors. The facilities for food couriers are equipped with resting areas, electric plugs to charge cell phones, drinking water and equipment to warm food.

In 2022 there were 522 accidents involving bike users. None of them were fatal and the majority of these were caused by other vehicles. To manage this situation, the Client will implement an awareness campaign directed to vehicle drivers.

4.4.a.ii Hazardous Materials Management and Safety

There are no risks for neighboring communities involving the use of hazardous materials.

4.4.a.iii Ecosystem Services

All the Client facilities are in urban areas or consolidated industrial districts, its activities do not interfere with ecosystem services.

4.4.a.iv Community Exposure to Disease

The Client's activities do not involve risks for dissemination of contagious diseases.

4.4.a.v Emergency Preparedness and Response

The Company's emergency scenarios are mostly local and do not involve neighboring communities.

4.4.b Security Personnel

The Client does not use armed security forces. Security systems include automated closed-circuit television systems ("CCTV"), alarms, and unarmed personnel. The risk of undue use of force

affecting neighboring communities is considered to be not material, as the security personnel is instructed to call the authorities in case of threats to company property.

4.5 Land Acquisition and Involuntary Resettlement

There is no resettlement or economic displacement linked to the Client's activities.

4.6 Biodiversity Conservation and Natural Habitats

As all the Client's activities are carried out in urban areas or in consolidated industrial districts, no biodiversity impacts are anticipated.

4.7 Indigenous Peoples

As all the Client's activities are carried out in urban areas or in consolidated industrial districts, no impacts on Indigenous Communities are anticipated.

4.8 Cultural Heritage

As all the Client's activities are carried out in urban areas or in consolidated industrial districts and the Client infrastructure is placed after consultation with the municipal authorities and neighboring communities in adequate locations, no impacts on cultural heritage are anticipated.

5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link:
<https://www.tembici.com.br/pt/>.