

## Environmental and Social Review Summary (ESRS) ANC – COSTA RICA AND GUATEMALA

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### **1. General Information of the Project and Scope of IDB Invest’s Environmental and Social Review**

This transaction consists in: i) a senior loan for ANC Car S.A. (ANC or the “Company”) to finance the purchase of about 80 vehicles (at least 60 of which will be electric-powered) and solar panels with a capacity of about 250 kWp in Costa Rica; and ii) an uncommitted facility to support the purchase of vehicles (75% of which will be electric-powered), to provide working capital and to finance future expansion and refurbishment investments for the customer service offices in Costa Rica and possibly in Guatemala (the “Transaction”).

The environmental and social due diligence (ESDD) for this Transaction involved, among other things: (i) the assessment of the technical, environmental, health, safety and social documentation submitted by the Company and (ii) several remote meetings with the Company’s senior management and sustainability staff.

### **2. Environmental and Social Categorization and Rationale**

According to IDB Invest’s Environmental and Social Sustainability Policy, the Transaction has been classified as of Category B because, among other things, it could generate the following environmental and social (E&S) impacts: i) risks associated with the workers’ occupational health and safety (OHS) and working conditions; ii) the generation of solid and liquid waste; iii) the emission of greenhouse gases (GHG); and iv) possible impacts on the communities as a result of increasing road traffic and subcontracting armed security personnel. These impacts and risks are deemed to be of medium-low intensity.

The Performance Standards (“PS”) triggered by the Transaction are: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS 2: Labor and Working Conditions; (iii) PS3: Resource Efficiency and Pollution Prevention; and (iv) PS 4: Community Health, Safety and Security.

The Transaction is deemed as aligned with the provisions of the Paris Agreement, based on an analysis performed in line with IDB Group’s Paris Alignment Implementation Approach.

### **3. Environmental and Social Context**

#### **3.1 General characteristics of the Project's site**

With presence in Costa Rica, Guatemala, Nicaragua and Peru, ANC is a leader in car rental and personal and enterprise mobility businesses, representing Alamo Rent a Car, National Car Rental and Enterprise Rent a Car. Its fleet in Costa Rica relies on over 5,000 vehicles, up to 7,000 all countries considered (Guatemala, Nicaragua and Peru).

In Costa Rica, ANC has two head offices: one in Belén, by the International Airport Juan Santamaría, and the other one in Liberia, serving the international airport of the same name. These offices are supported with 45 branches and 10 service shops strategically located across the country. All customer services centers have parking lots and associated offices. The offices in Belén and Liberia also have a car wash area, a mechanic shop, an upholstery shop, warehouses, a gas station, and a wastewater treatment plant (WWTP).

#### **3.2 Contextual risks**

Located between two oceans, Costa Rica is highly vulnerable to the adverse impacts of climate change. Between 2001 and 2008, the floods and storms in the area generated what may be the largest human and economic impact in the last few years. The country is also vulnerable to natural events due to the presence of settlements in areas that are prone to volcanic eruptions and unstable lands, degraded also by extensive livestock farming, or in poorly planned areas that are vulnerable to landslides and floods.

On the other hand, the combination of political and social stability together with steady growth has resulted in one of the lowest poverty rates in Latin America and the Caribbean. Only 12% of the population of Costa Rica is considered poor, whereas 4.7% is extremely poor. The country's success in the last few decades is apparent in its robust indicators of human development, which are still higher than those of other countries in the region. Biodiversity is one of the drivers of the national social and economic development<sup>1</sup>.

### **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**

ANC's management system consists in a group of policies, manuals and procedures to evaluate, support and comply with the requirements of the local laws and to maintain the different certifications that it holds, including: ISO 9001:2015 (quality), ISO 14001:2015 (environmental management) and INTE B5:2020 (carbon neutrality).

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<sup>1</sup> <https://www.climate-expert.org/en/home/business-adaptation/costa-rica>

#### 4.1.b Policy

ANC's Integrated Quality and Environmental Policy outlines its commitment to fulfilling the legal requirements of the countries in which it operates and of controlling the environmental impacts of its operations. The policy, however, does not state who is responsible for implementing it or include any commitments with labor, social or OHS issues.

#### 4.1.c Identification of risks and impacts

Even though ANC has developed procedures and matrices to identify properly the environmental and OHS risks, it still has not assessed the potential negative impact the Company's activities may have on the communities.

##### 4.1.c.i Gender risks

No impacts have been recorded as different for men and women as a result of ANC's activities; its policies and procedures guarantee equal work opportunities without discrimination.

##### 4.1.c.ii Climate change exposure

Costa Rica is facing climate change challenges that would result in a temperature increase by 1°C to 2°C, higher rainfall in some parts of the country and lower in others. Given the fact that the transaction is related to the acquisition of vehicles, i.e., mobile units, to be used across the country, it cannot be attributed only one level of exposure. Nonetheless, the sector sensitivity is generally low or insignificant in comparison with the increasing temperature and the changes in rainfall patterns expected as a consequence of climate change.

#### 4.1.d Management programs

ANC executes certain activities to manage the environmental and social risks and impacts. Its management system includes procedures to deal with the following: OHS, human resources, resource efficiency, management of effluents and waste, and emergency response.

#### 4.1.e Organizational capacity and competency

ANC has appointed managerial roles at corporate level to handle environmental and occupational issues, including senior executives with specific duties. For managing OHS risks, the Company relies on consultants who perform regular audits to check compliance with the related policies and procedures. ANC provides ongoing training and onboarding in key areas.

#### 4.1.f Emergency preparedness and response

ANC's emergency preparedness and response plan properly approaches the different emergency scenarios it may be exposed to (fires, hurricanes and earthquakes) and presents an action plan to control and mitigate the possible negative effects these events may generate in its facilities, the

staff and the environment. ANC has formed emergency response teams, who are periodically trained and go through regular drills and simulations.

#### **4.1.g Monitoring and review**

The Company has established goals and key performance indicators (KPIs) related to power and water consumption, as well as the generation of emissions and effluents. The effectiveness of the management system is regularly checked with internal and external audits for compliance with the applicable regulations as well as with the established goals, proactively identifying opportunities to improve. ANC senior management meets up periodically to assess its E&S performance and the management system effectiveness.

#### **4.1.h Stakeholder engagement**

ANC has mapped the stakeholders and identified those that could be impacted by its activities. The Company holds regular meetings with the municipalities and the chambers of tourism and keeps the communication channels open for other stakeholders to engage via e-mail and social media.

#### **4.1.i External communication and grievance mechanisms**

ANC's external stakeholders can submit grievances, questions, claims and suggestions on the phone or by e-mail to [canaldenuncias@grupoanc.com](mailto:canaldenuncias@grupoanc.com). Although the Company has established roles and responsibilities for handling external grievances, it has yet to prepare a formal procedure that states the principles, channels, forms, response times, monitoring mechanism and evaluation methods, including KPIs for the mechanism.

### **4.2 Labor and working conditions**

#### **4.2.a Working conditions and management of worker relationships**

As a whole, ANC has 387 payroll workers, 25% of whom are women. Over 50% of the leadership positions are taken up by women.

##### **4.2.a.i Human resources policies and procedures**

Although ANC has adopted detailed human resources procedures, it still has not implemented a policy that outlines the work management principles.

##### **4.2.a.ii Working conditions and terms of employment**

The work schedule comprises 48 hours a week, with a mandatory day off. The work contracts signed with the workers and the internal procedures provide them with information about their work rights, including pay, days off and annual leave. The Company, however, will update these procedures to include the description of the work schedule, the weekly days off and the calculation of overtime, according to the labor laws.

#### 4.2.a.iii Workers' organizations

Costa Rica is signatory of International Labour Organization's Conventions 97 y 98, which protect the right to unionize and to collective bargaining. Although ANC respects these rights, there are still no unions or collective agreements for the workers in the organization.

#### 4.2.a.iv Non-discrimination and equal opportunity

Violating the principle of equal opportunity is punishable in ANC, and its internal procedures establish disciplinary measures for those cases. To such end, the Company has implemented procedures to hire, assess the performance of and lay off employees, which guarantee equal work opportunities and encourage a discrimination-free business environment. It has also adopted protocols to prevent, report and investigate potential cases of work harassment. However, anonymous reporting is not possible.

#### 4.2.a.v Retrenchment

The Company does not expect collective layoffs.

#### 4.2.a.vi Grievance mechanism

ANC's employees can report in person to the Human Talent team or in writing via the following e-mail address: [canaldenuncias@grupoanc.com](mailto:canaldenuncias@grupoanc.com). The Company has not documented how the internal grievance mechanism works or enabled channels that allow for receiving anonymous complaints.

#### 4.2.b Protecting the workforce

Even though ANC will not accept any form of forced or child labor, to date there are no policies or procedures supporting this.

#### 4.2.c Occupational health and safety

ANC is committed to providing safe working conditions to prevent accidents and work-related diseases. Its occupational health and safety (OHS) management system includes actions towards: i) using matrices to identify the hazards and risks the workers are exposed to (such as same-level falls, load manipulation, collisions, hits by moving objects and exposure to chemical substances, etc.); ii) establishing preventive and protective measures, including providing personal protection equipment; iii) training its workers regularly; iv) preparing written procedures to report, investigate and record accidents; and v) receiving random audits to identify and correct unsafe working conditions. Moreover, the Company has set up an occupational health committee, with two members of management and two representatives of the employees who gather monthly to investigate work accidents, recommend preventive measures and enforce compliance with the legal provisions regarding occupational health.

ANC prepares statistics and reports of the work-related accidents of its payroll employees in Costa Rica. During 2023, the Company recorded a total of 17 accidents (including five collisions), giving

rise to 202 disability days, a lost time injury frequency rate (LTIFR) of 17.11<sup>2</sup> and a lost time injury severity rate (LTISR) of 203.30.

#### 4.2.d Provisions for people with disabilities

Even though ANC enforces Law No. 7600 that promotes the integral development of people with disabilities in terms of having equal quality, opportunity, rights and duties as the rest of the population, there are no employees duly registered to date with any kind of disability.

#### 4.2.e Workers engaged by third parties

All contractors, subcontractors and indirect staff must comply with ANC's OHS and work policies and procedures. By means of different tools and procedures, the Company makes sure that the staff engaged by third parties complies with those policies and measures.

#### 4.2.f Supply chain

ANC's goods and service providers are assessed (at least once a year) to check for compliance with the Company's environmental, work and OHS standards. This assessment involves completing a risk matrix, reviewing physical documentary support and visiting providers in person. When the outcome is not satisfactory, an improvement plan is prepared to close the gaps identified.

### 4.3 Resource efficiency and pollution prevention

#### 4.3.a Resource efficiency

About 744 MWh of electric power is consumed a year in Costa Rica, whereas in Guatemala power consumption is about 9 MWh per year. Even though electric power is mostly supplied from the public grid to the Company facilities, as part of the project to add electric vehicles, ANC is installing electric chargers at its main offices in Costa Rica. The head offices in Belén and Liberia use electric power generated by their solar panels to charge the vehicles, thus making the rental experience a 100% carbon neutral activity.

##### 4.3.a.i Greenhouse gases

ANC prepares a partial emission inventory for its office in Belén, as it does not include the Scope 1 and 2 emissions associated with the rented cars.

##### 4.3.a.ii Water consumption

About 7,300 m<sup>3</sup> of water is consumed a year in Costa Rica; in Guatemala this is about 273 m<sup>3</sup> per year. ANC focuses on reducing its water footprint, particularly when cleaning and maintaining the vehicles, which demands the largest volumes of water. Some of the programs implemented by ANC

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<sup>2</sup> ANC's LTIFR is higher than the 3.82 reported by the USA Department of Labor for the vehicle rental sector (NAIC 53212) for 2022.

in Costa Rica involve: i) implementing a water recycling system at the head offices; ii) using dry products to clean vehicles that are not very dirty; and iii) setting up rainfall water collection systems.

#### **4.3.b Pollution prevention**

The Company has adopted some operational controls to prevent water pollution, such as the use of soap and other diluted (non-concentrated) and biodegradable products to wash the vehicles and to clean the facilities.

##### **4.3.b.i Wastes**

The effluents generated by ANC include gray waters from washing the vehicles and black waters from the toilets. At the offices in Belén and Liberia, the Company has a wastewater treatment plant in place to deal with the portion of water that is not reused for vehicle wash. In the case of Belén, the WWTP has a permit to discharge into river El Burío, while the other offices discharge directly into the municipal sewerage system. The Company conducts a physical and chemical analysis of the wastewater once a year, as legally required the countries where its offices engage in washing processes.

The muds generated at the WWTPs are weekly collected and managed as hazardous waste by duly authorized companies. ANC tries to recycle most of the waste generated in its facilities (paper, cardboard, plastic, aluminum, glass, vehicle parts and used tires), which are staged for further transportation to authorized suppliers for management. Additionally, the Company generates hazardous waste (vehicle batteries, sprays, oil/air/diesel filters, used oil, cloth soaked in oil, etc.), which is staged to be later collected by an authorized provider to be handled. Finally, ordinary waste (organic waste, toilet paper, sanitary pads, paper napkins, materials with food) is segregated and transported for sanitary landfilling by the municipal manager.

##### **4.3.b.ii Hazardous materials management**

ANC handles chemicals in limited amounts, such as vehicle cleaning and maintenance products, oils and lubricants, and sprays. Nonetheless, the Company will develop a procedure to manage hazardous materials, including measures for storage and safe management.

#### **4.4 Community health, safety and security**

##### **4.4.a Community health, safety and security**

Although the Company is aware of the traffic accident risks raised by the service vehicle traffic, it has not yet adopted a formal procedure to manage it.

##### **4.4.b Security personnel**

ANC is subcontracting armed security personnel from a security service provider that is properly certified and qualified by the related authority. The provider prepares a monthly risk assessment which leads to measures to protect the Company's assets and personnel.

#### **4.5 Land acquisition and involuntary resettlement**

The Transaction is not expected to acquire any new sites or cause resettlements.

#### **4.6 Biodiversity conservation and natural habitats**

The Transaction will not affect biodiversity. Should future expansions be needed, they will happen in the existing sites, which are located in highly modified locations and have reported no species that require special care.

#### **4.7 Indigenous peoples**

The Transaction will not affect any indigenous peoples.

#### **4.8 Cultural heritage**

The Transaction will not affect any cultural heritage. However, the Company will develop a procedure to manage chance finds.

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

The documentation related to the project may be accessed to using the following link:  
<https://grupoanc.com/>