

## Environmental and Social Review Summary (ESRS) Menorca Inversiones - PERU

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### 1. General Information on the Project and scope of IDB Invest's E&S Review

The present operation consists of a long-term loan for funding part of Menorca Inversiones S.A.C.'s investment plan ("Menorca," the "Company" or the "Client") for 2021. This plan includes the acquisition of land plots in Lima and in other provinces<sup>1</sup> in Peru, which will be used to carry out urban habilitation urban development (turning rural land into urban plots) and plot sale projects, mainly for families in low-income socioeconomic sectors in Peru (B, C, and D)<sup>2</sup>. Within the investment scheduled, the acquisition of a plot called "Fundo Suche," covering 45 hectares (Ha), located in the district of Carabayllo in Lima, Peru (the "Operation" or the "Project") is included, in which a residential urban complex will be executed along a total of 8 years, up to its implementation and sale of all the plots. The urban complex will have an entrance gantry, a perimeter fence, road sections (street, sidewalk, and curbs), water networks and sewers, an underground electric power distribution system, and public lighting, among other services<sup>3</sup>.

As part of the process of Environmental and Social Due Diligence ("ESDD"), IDB Invest reviewed relevant environmental and social information, including the analysis of: i) the Company's Environmental and Social Management System ("ESMS"); ii) the existing certifications; and iii) the plans and information of current and future projects, among other relevant documents.

The ESDB included several online meetings (held in March and April 2021) with Company officers, the owner of Fundo Suche plot of land, and officials from the Municipality of the District of Carabayllo. It also considered a visit to the area of the Project and another one to the area of "Posada de Carabayllo," a project previously developed by Menorca in this district, which were carried out on April 22<sup>nd</sup> and 27<sup>th</sup>, 2021, respectively.

### 2. Environmental and Social Classification, and Rationale

Under IDB Invest's E&S Sustainability Policy, the Project was classified as a category B Project since it could generate, among others, the following risks and impacts: i) air emissions and noise during the construction phases of the projects; ii) potential labor accidents due to land movement and civil construction works; iii) third-party labor claims and demands; iv) traffic accidents due to an increase in cars and trucks circulation to and from the projects; v) solid and liquid waste generation; and vi) demand of water resources. These impacts and risks are deemed to be medium-low.

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<sup>1</sup> At present, Menorca has done or is doing business in 6 provinces in Peru (Piura, Chiclayo, Pisco, Ica, Arequipa, and Lima).

<sup>2</sup> This operation shall support the reduction of housing deficit in Peru, but mainly of those families with lower income in Lima, where a higher demand is observed against the supply of housing.

<sup>3</sup> According to the regulations for urban development, the Project will destine 8,400 m<sup>2</sup> for later implementation of education and health public infrastructure.

The Performance Standards (“PS”) triggered by the Project are: i) PS 1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS 2: Labor and Working Conditions; iii) PS 3: Resource Efficiency and Pollution Prevention; iv) PS 4: Community Health, Safety, and Security; and v) PS 8: Cultural Heritage.

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

#### **3.1 Project Area Overview**

The site for developing the Project is located in the district of Carabayllo, in the north of the city of Lima, an area in which Menorca has been operating for more than 15 years now. The facilities, surrounded by urban areas, are adjacent to public roads in which there are electric lines.

The plot of land is located in an area which has been categorized as AGRICULTURAL - A<sup>4</sup> for many years (a temporary agricultural use<sup>5</sup>), and which, through an ordinance<sup>6</sup>, has been recently changed by the Municipality of Carabayllo to MEDIUM DENSITY RESIDENTIAL (“MDR”). This change in the use of the land makes the Project Development possible. It is worth mentioning that, up to date, the Carabayllo Urban Development Plan (“UDP”) is pending approval by the Metropolitan Municipality of Lima, which shall ratify the Ordinance, so it becomes fully effective.

The design of the urban habilitation, to be developed in 11 phases<sup>7</sup>, considers 2,369 residential plots of land measuring 96.5 m<sup>2</sup>, and approximately 3 Ha of green areas in which the greatest amount of existing natural trees will be preserved, and where native species will be planted to improve the landscape.

The site, in acquisition process by Menorca, does not have any concession area nor is there any person registered to be living within the area that would be used for the Project. Out of the 48.7 Ha of the existing land, the Company plans to purchase 45 Ha for the development of the *urban* habilitation. In the rest of the area, the owners<sup>8</sup> will maintain the farmhouse and will go on doing agricultural activities. The workers who presently carry out these labors will keep doing them under the same working contract they already have with the owners.

In the peak of its implementation, the Project will generate approximately 100 direct and indirect working positions.

#### **3.2 Contextual Risks**

In Peru, many middle- and low-income families, as they have no access to the financial system, decide to get informal houses in the peripheries of the towns or purchase land plots to land dealers.

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<sup>4</sup> Zoning and Roads Certificate No. 1265-2019-MML-GDU-SPHU

<sup>5</sup> Mainly, with the aim of maintaining the ownership over the site and preventing invasions.

<sup>6</sup> ORDINANCE NO. 440-MDC 2019-2029, which approves the Carabayllo Sustainable Urban Development Plan, published in the official newspaper El Peruano, on September 26, 2020.

<sup>7</sup> Each phase comprises the independent and sequential construction of 4 Ha, each of which will have an estimated construction time of 5 months.

<sup>8</sup> Members of the same family.

Although, in many cases, Menorca's projects are located within urban nets made up of a considerable percentage of informal houses and in some cases in areas close to illegally occupied areas, the Project is located in a consolidated urban area.

Carabayllo is the biggest district in Metropolitan Lima covering 12% of the total area of Lima and El Callao. It has an approximate population of 333,039 inhabitants<sup>9</sup> and a high monetary poverty index affecting up to 23.1% of its population. The northern area of Lima is characterized as a violent area, where crime and illegal traffic in narcotic drugs has risen significantly in the last years. The Municipality of Carabayllo has also become one of the main hosting areas for Venezuelan migrants.

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

##### **4.1 Assessment and Management of E&S Risks and Impacts**

###### 4.1.a Environmental and Social Management System

The Company has a “Strategic Plan for Sustainable Development”<sup>10</sup>, in line with five<sup>11</sup> of the Sustainable Development Goals (“SDGs”) and, up to date, is elaborating protocols for its implementation. The plan, suggested by the Top Management and approved by their stakeholders, includes eight strategic priorities: i) Management System; ii) Sustainable Development; iii) Customer Service; iv) Social Housing; v) Urban Habilitation; vi) 4 Pillars of the Product; vii) New Projects; and viii) Financial Excellence. These, in turn, are based on three pillars that seek to foster a better quality of life for their clients: i) Sustainable Urbanizations; ii) Driven Allies; and iii) Innovation and Sustainable Technology.

Menorca is preparing to apply for the international certification as a B Corporation<sup>12</sup>, in the following categories of their business model: i) Governance (Transparency); ii) Workers, iii) Environment; iv) Customers; and v) Community (suppliers and distributors). Besides, the Company obtained the ISO 37001<sup>13</sup> certification in September 2020 “Anti-Bribery Management System,” and, since 2017, is an active member of Peru Green Building Council.

Nevertheless, the Company will develop procedures to implement ESMS in all operating levels and processes, including the 9 mandatory elements: i) Policy; ii) Identification of Risks and Impacts; iii) Management Programs; iv) Organizational Capacity and Competency; v) Emergency Preparedness and Response; vi) Stakeholder Engagement; vii) External Communications and Grievance Mechanisms; viii) Periodic Reporting to Affected Communities; and ix) Monitoring and Evaluation.

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<sup>9</sup> <https://www.unicef.org/peru/donde-estamos/carabayllo>

<sup>10</sup> Period 2016-2021

<sup>11</sup> SDGs 1 – No Poverty, SDG 6 – Clean Water and Sanitation, SDG 8 – Decent Work and Economic Growth, SDG 9 – Industry, Innovation and Infrastructure, and SDG 11 – Sustainable Cities and Communities.

<sup>12</sup> The B Corporation certification is issued in the United States by B Lab, a non-profitable organization, to enterprises which redefine their sense of success, receiving a collective mark as market identity. For this, the companies undergo an integral assessment of their sustainability and make amendments to their legal governance tools. Visit <https://www.sistemab.org/ser-b/>

<sup>13</sup> Land Plots Acquisition, Development of Real Estate Projects, House Building, Urban Habilitation, and Sale of Plots and Houses in Lima and the Provinces.

#### 4.1.b Policy

As part of the ESMS, Menorca has the following policies: i) “Integrated Management System (“IMS”) Policy;” ii) “Sustainability Policy” and its “Sustainability Manual;” and iii) “General Management and Human Development Policy.” The Company, as part of the ongoing improvement process, shall disclose its IMS Policy to all its stakeholders, shall periodically review and update its policies, and keep record of their updates.

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

Menorca’s projects have been categorized as low impact ones, according to current environmental regulations,<sup>14</sup> and have their own Environmental Impact Declarations (“DIA”), approved by the General Direction of Environmental Issues of the Ministry of Housing, Construction and Sanitation (MVCS).

Once the purchase of the land plot where the Project will be executed is realized, Menorca will develop and present a DIA to obtain the corresponding approval from the MVCS. As a complement to the DIA and, although it is not required by the current regulations, the Company will develop a Social Diagnosis (“SD”), which will consist of the following: i) social mapping for the leadership, representativity and conflicts identification; ii) the community’s perception regarding the Company; iii) identification of main needs and potentialities; iv) social strategy; and v) intervention plan.

The Company is elaborating the Project Technical File (“TF”), which comprises: i) topographic and perimeter mapping; ii) soil mechanics exploratory study; iii) archaeological report and procedure for obtaining the Certificate of Absence of Archaeological Remains (“CIRA”)<sup>15</sup>; iv) hydrogeologic survey<sup>16</sup>; v) irrigable channels survey; vi) risks study (earthquakes and floods); vii) rain drainage study; viii) soil mechanics study (final); ix) road impact studies; x) sanitation and electricity service feasibility; xi) well drilling authorization; xii) ground water use authorization; xiii) DIA approval resolution; and xiv) project approval resolution issued by the Irrigation Board or the Water National Authority (“ANA”) to relocate channels, in case of need.

Once the TF is terminated, it shall be submitted for evaluation and approval to the Urban Habilitation Technical Commission from the District Municipality of Carabayllo<sup>17</sup>, which would issue the Urban Habilitation License with Land Plots Simultaneous Construction.”

Menorca shall request the Drinkable Water and Sewage Service in Lima (SEDAPAL) and the Electric Power National Company (ENEL) to review the Project and issue the corresponding approval resolutions.

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<sup>14</sup> According to Act No. 27446 issued by the Environmental Impact Assessment National System (SEIA) and its regulatory decrees, the projects are classified into three categories based on the risk assessment; the first category (low risk) requires submitting an Environmental Impact Declaration (DIA), the second category (medium risk) requires carrying out a semi-detailed Environmental Impact Study (EIS), whereas the third one (high risk) requires a detailed EIS.

<sup>15</sup> “Technical-archaeological report of Fundo Suche land plot, Carabayllo, Lima”

<sup>16</sup> “La Molina-Carabayllo Hydrogeologic Survey”

<sup>17</sup> Comprised of delegates from Peru Engineers Association, Peru Architects Association, representatives from Service Provider Companies, and a representative from the Municipality.

The Company shall also develop procedures to identify hazards, assess risks and impacts and determine controls in all the activities, processes, and sites; it shall develop and implement a procedure for consultation with stakeholders to proactively identify hazards; it shall develop and implement a procedure to identify risks in the supply chain; and it shall determine and conduct a periodic review of performance indicators.

#### 4.1.c.1 Analysis of alternatives

The analysis of alternatives to define and implement new projects developed by Menorca includes prospecting potential land plots and evaluating the purchase option, through a financial pre-feasibility and risk assessment study. The Fundo Suche project passed this phase, after having been analyzed together with 3 other options.

Once the selection process was terminated, the Company subscribed a purchase option preparatory contract with the owners of the land for an 18-month effective term. The above said has allowed to carry out the preparatory studies in the planning phase of the Project (part of the Technical Study already mentioned) which finished with the charter of the project, and which will later include the acquisition of the land plot.

#### 4.1.c.2 Gender Risks

The northern part of Lima, where the Municipality of Carabayllo is located, is also characterized by one of the highest indexes of gender and family violence (physical, sexual, and psychological violence). This has promoted the Ministry of Women and Vulnerable Populations (MIMP) and the Municipality to join so as to articulate prevention actions in the fight against women violence in the district, aimed at reversing the figures of acts of violence registered in the area.

Article 2 of the Political Constitution of Peru establishes the Right to equality and Non-Discrimination based on origin, race, sex, language, religion, opinion, economic condition or of any other nature and several specific laws to safeguard non-discrimination<sup>18</sup>.

Menorca has an administrative payroll made up of approximately 45% of female personnel, within this percentage there are managerial positions (managers, sub-managers, and heads). The Company created a Sexual Harassment Committee and an Ethics Committee, which receives and addresses complaints of gender violence. Similarly, it manages the occupational risks of its employees, including those in a state of pregnancy, considering this population in the measurements of exposure to occupational risks, and in the provision of Personal Protective Equipment ("PPE") and work uniforms, appropriate to current regulations and the gender of the workers. The Company provides temporary accommodation facilities for employees, separate for men and women.

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<sup>18</sup> i) Law 27270 "Against Acts of Discrimination" - published on May 29, 2000 - the crime of Discrimination was incorporated into the Peruvian Penal Code, as well as administrative responsibility; ii) Law 26772, published on April 17, 1997, which provides that job offers and access to means of educational training may not contain requirements that constitute discrimination, cancellation or alteration of equal opportunities or treatment, and the Equal Employment Law. opportunities between women and men; and iii) Law 28983 - published on March 16, 2007, that establishes the regulatory, institutional and public policy framework at the national, regional and local levels, to guarantee women and men the exercise of their rights to equality, dignity, free development, well-being and autonomy, preventing discrimination in all spheres of their life, public and private, tending to full equality.

Nevertheless, at a Project level, the Client has agreed to implement IDB Invest's "Gender Risk Assessment Tool"<sup>19</sup> ("GRAT") to avoid and manage gender-related risks in their operations.

#### 4.1.c.3 Exposure to Climate Change

The area in which the Project will be settled is a semi-desertic region where summers are hot, arid and cloudy, and winters are long, cool, dry and mainly show a clear sky. Along the year, temperatures usually vary from 15 °C to 28 °C and they rarely drop to less than 14 °C or raise above 30 °C.

The assessment of physical risks and natural threats associated to climate change in the site of the project showed a low exposition to droughts and a medium exposition to extreme rainfall which, although occasional and infrequent, when it occurs, is very heavy but of short duration.

#### 4.1.d Management Programs

The Company implements actions and appoints people in charge of environmental and social risks and impacts management and mitigation in its key activities. However, it has not developed management programs at a corporate level. Consequently, the Client will develop and implement operating procedures both managed by itself and for its contractors and suppliers; they will engage management officials from their different departments to formulate and review the action plans; and they will implement an action plan to treat risks for the community during the implementation of their projects.

#### 4.1.e Organizational Capacity and Competency

The responsibility over the Client's social issues, as well as the submission of reports on social issues and conflict resolution is in the hands of the Sustainability Manager Assistant, who reports directly to the Vice president of the Company's Administration and Finance. The Occupational, Health and Safety ("OHS") Chief is in charge of environmental issues; this Chief belongs to the Human Resources Management, who, in turn, reports to the Executive Vice-presidency. Additionally, there are OHS supervision work positions (supervisors and preventionists) appointed to each of the projects under implementation. The Company shall define a person in charge for the integration of ESMS who, besides, shall control the development, implementation and follow up of all the environmental, social, and health and security management plans, programs, and procedures, including contractors and suppliers.

#### 4.1.f Emergency Preparedness and Response

At a corporate level, the Company has an Emergency Preparedness and Response Plan ("ERP") applicable to the administrative premises (headquarters and sales offices). The ERPs for each project are defined in their respective DIAs and contractors must align with them. Once the DIA for the

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<sup>19</sup> The document can be downloaded from the following link: <https://www.idbinvest.org/es/publications/herramienta-de-evaluacion-de-riesgos-de-genero>

Project has been approved, Menorca will review and update the corresponding ERP so as to align it to the PS 1 requirements.

#### 4.1.g Monitoring and Evaluation

To meet the legal requirements of each project's DIA, the Company periodically monitors the following parameters: i) effluents, ii) solid waste; iii) quality of water; iv) environmental noise; v) air emissions; vi) energy consumption; vii) water consumption; viii) hazardous materials; and ix) hazardous waste.

As to OHS performance regarding their own employees, since 2019 there is information from the Accident Frequency Rates ("LTIFR") and the Severity Index ("LTISR"). However, the Client shall: i) set environmental and social (E&S) goals and key management indicators; ii) develop and implement an internal environmental and social audit procedure; iii) develop and implement procedures for monitoring the most severe risks in their operational activities; and iv) extend the monitoring and evaluation to the management with communities, suppliers and contractors.

#### 4.1.h Stakeholder Engagement

The DIA approval process of the projects includes a phase of disclosure of information to the community. For this, Menorca has identified the following groups of interest: i) collaborators; ii) clients; iii) community; iv) local and regional governments; v) trade unions; vi) state agencies; vii) Non-Governmental Organizations ("NGOs"); viii) competitor companies; ix) worker unions; x) shareholders; and xi) suppliers and contractors.

In order to ensure the stakeholder engagement, previously to the implementation of each project, Menorca develops a social diagnosis by means of which quantitative and qualitative baseline information on the communities is gathered, and their needs, leaders and also possible social risks are identified. During the projects execution phase, the Company regularly interacts with the communities and local authorities, through coordination meetings and frequent contact with leaders or representatives from the projects' neighboring areas, organizing campaigns, programs and improvement of public spaces with the communities<sup>20</sup>. Afterwards, the Client informs the interested parties about the communication channels available to manage their expectations, solve their doubts, and be able to avoid conflicts, and coordination meetings are held, activities carried out and other interactions take place with the neighboring communities. However, the Company will develop a stakeholder engagement procedure according to PS 1.

#### 4.1.i External Communications and Grievance Mechanisms

At present, the main grievance mechanism for the Company's clients is the Customer Service number<sup>21</sup> which is managed by the Customer Service Area ("CSA").

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<sup>20</sup> In the following links, you can watch videos of programs made for the neighboring communities: <https://menorca.pe/novedades/menorca-construyendo-calidad-de-vida>, <https://menorca.pe/novedades/mas-salud-para-quilca> and <https://menorca.pe/novedades/comprometidos-con-la-familia-peruana-y-la-comunidad-piura>

<sup>21</sup> Telephone number: 051-203-2828(Option 9)

Menorca has also implemented an “Ethics Line”<sup>22</sup>, a confidential number for complaints, operated by Ernst & Young, through which the interested parties (collaborators, clients, suppliers, neighboring communities, etc.) can communicate their complaints on irregularities related to non-ethical behaviors, violations to legislation, regulations or internal policies, among others. The “Ethics Line” is comprised of 6 communication channels (electronic mail, dedicated web page, telephone helpline, voice mail, postbox, and interviews) by means of which the reported information is received, registered and communicated, protecting confidentiality and anonymity at all times. Complaint reports are sent, as required, to: i) the Ethics Committee, ii) the Compliance Officer, iii) the Sexual Harassment Committee, or iv) the OHS Committee, for their validation and subsequent investigation.

Regarding the disclosure of information to the interested parties, the Company will: i) carry out a public consultation process to disseminate the DIA and SD results; ii) disclose the current grievances mechanism; and iii) adjust the Stakeholder Engagement Procedure to the Project's specifications.

## **4.2 Labor and Working Conditions**

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

By December 2020, the Company had 255 direct workers, 510 indirect ones (employees of the civil construction contractor companies), and 112 through labor intermediation<sup>23</sup>. The percentage of women in Menorca is 45%, and the intermediation percentage is 16%.

During 2020, the Company appointed 20% of its budget for Human Resources (“HR”) management to the implementation of training to personnel from the various areas in the organization thus strengthening the necessary abilities of collaborators, including the development of soft abilities for the leading positions.

#### 4.2.a.1 Human Resources Policies and Procedures

The Company has a HR General Policy which includes: i) a Compensation and Benefits Policy; ii) a Sexual Harassment Policy; iii) an Ethics Code; and iv) Internal Work Rules. The latter, which compliance is mandatory for all collaborators, establishes the standards regulating labor relations in Menorca.

The Management and Human Talent area looks after the implementation of the HR Policy, which comprises provisions related to: i) compensations; ii) communications; iii) loans and wage advances; iv) wellbeing; v) clothing; vi) vacations and permits; and vii) recruiting and selection, among other aspects.

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<sup>22</sup> <https://www.lineaeticamenorca.com/>

<sup>23</sup> Contracting modality in Peruvian labor legislation by means of which a service company assigns staff to the user company for complementary, temporary or specialized tasks.



#### 4.2.a.2 Working Conditions and Terms of Employment

The Company applies current Peruvian labor regulations, which incorporate provisions included in the International Labor Organization (ILO) and which regulates, among others, the following aspects: i) provisions for labor recruitment; ii) working hours, schedules and extra working hours; iii) paid vacations; iv) minimum compensation; v) family allowance; vi) legal awards; and vii) occupational health and safety.

#### 4.2.a.3 Worker Organizations

Although allowed by Peruvian legislation and internal regulations of the Company, at present there is no labor union in Menorca. However, most of its workers are affiliated to the Civil Construction Workers National Federation.

#### 4.2.a.4 Non-discrimination and Equal Opportunity

In accordance with the Work Internal Rules, the Company does not apply any distinction whatsoever due to gender, on the contrary, it seeks equality in all the processes, offering the same work opportunities to their employees to comply with the required performance. The Company has two (2) women among the management staff, and nine (9) leaders in all the organization.

#### 4.2.a.5 Grievance Mechanism

Menorca's employees can channel their grievances through the "Ethics Line," which guarantees anonymity, independence and confidentiality. Menorca's Ethics Line is a set of communication mechanisms (e-mail, dedicated web page, telephone helpline, voice mail, postal address, and personal interview) operated by an independent professional company that serves both direct employees and other groups of interest of the Company to communicate any sensitive irregularity for the Company, related to potential deviations or non-compliance with the Ethics Code.

This mechanism allows anonymity, is independent and guarantees confidentiality; and it is in operation since April 2020.

#### 4.2.b Protecting the Workforce

Minimum age for workers in Peru is 18 years. This restriction, in agreement with the Peruvian Civil Code, applies to Menorca's clients, suppliers and contractors. The Client complies with this provision, through management procedures applicable to own personnel and to that of third parties.

#### 4.2.c Occupational Health and Safety

For all its projects, Menorca has implemented the Job Safety Assessment ("JSA"). Thus, before doing any job, a form shall be filled in through which hazards associated to the activities to be executed are identified, and the necessary control measures to minimize the risk during the execution are set. This is carried out for all the projects and for all non-routine activities.

The Company does not offer direct medical services, but as part of the wellbeing programs, it offers a health service by an external occupational clinical doctor, who is in charge of providing attention and training in health matters, and also interprets results and recommendations of occupational check-ups carried out to the personnel assigned to the works. The results of these annual check-ups are registered in “Menorca Workers’ Health Monitoring Technical Report.”

The Client will develop and implement an OHS system based on the risk analysis of the operation activities carried out by own and third-party workers (contractors and suppliers).

#### 4.2.d Workers Engaged by Third Parties

The Company has set administrative and legal guidelines, and also requirements and obligations in labor and occupational health and safety matters for contractors and suppliers providing service, developing works or supplying products, with the aim of minimizing possible damage risks for the people, the equipment, the premises, and the environment within the projects it develops.

In this sense, the “Third Parties Management” procedure<sup>24</sup>, applicable to all the staff doing activities, working for or providing services to Menorca, has the goal of guaranteeing the compliance with Peruvian labor and occupational health and safety legislation.

#### 4.2.e Supply Chain

Menorca has had a sustained growth in the last few years as to purchase volumes and the number of suppliers. With current rates, it is estimated that by 2023, the number of providers will increase from 2,460 to 3,100.

However, the Company presently does not manage environmental and social (“E&S”) risks associated to its supply chain, so it will develop and implement a Suppliers Policy and a Suppliers Management Procedure including: i) identification and management of risks and impacts of their main suppliers; ii) a training plan to help manage environmental and social issues; iii) performance monitoring for reviewing the procurement policy; and iv) design of programs for developing their suppliers E&S abilities.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

The Company implements different actions to reduce the consumption of resources in their already developed projects. Some of which are: i) the installation of LED public lighting; ii) the incorporation of technified irrigation systems for green areas; iii) the use of native plant species with a low water

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<sup>24</sup> It sets administrative and legal guidelines, and also requirements and obligations in labor and occupational health and safety matters to be followed by contractors, subcontractors and/or suppliers providing service, developing works and/or supplying products, with the aim of minimizing possible damage risks for the people, the equipment, the premises, and the environment within the projects developed by Menorca Inversiones SAC. It is applicable to all third-party personnel who carry out activities, works, and/or provide services which imply the personnel moving around within Menorca’s premises.

consumption (typical flora of Peruvian coast deserts) for the green area of their enterprises; iv) the reuse of effluents from the wastewater treatment plants (“WWTP”) as irrigation water; and vi) energy generation through solar panels.

#### 4.3.a.1 Greenhouse Gases

The generation of greenhouse gases (“GHG”) is mainly produced during the construction phase of the projects due to the use of yellow machinery which will be used for land movements. Once the projects are terminated and delivered, said generation decreases significantly.

For measuring its carbon footprint, the Company hired a consulting firm which will estimate the GHG emissions of its activities<sup>25</sup> under ISO 14064 international standards Scopes 1, 2, and 3. This exercise will be carried out at a corporate level, taking into account the activities done along 2020 in the 10 geographic locations<sup>26</sup>: i) Arequipa; ii) Carabayllo; iii) Chiclayo; iv) Ica; v) La Quebrada; vi) Mala; vii) Oficina Central; viii) Pachacamac; ix) Pisco; and x) Piura. As the Project’s implementation period will last approximately 48 months, the Company will keep an annual record of its GHG emissions, and will incorporate energetic efficiency standards in its design.

#### 4.3.a.2 Water Consumption

Menorca analyzes the maximum water requirements (and sewage) for each project. With the results from these studies, the Company requests from the Public Utility (“PU”) from the respective municipality, the “Water supply and outflow pipes technical feasibility” which ensures the availability of the water and sewage services and indicates the technical solutions the project will have to implement to receive them. Among these solutions, we can mention, regarding water supply, the connection to an existing point in the current infrastructure of the network managed by the PU, or the opening of an own water source (wells or surface effluent abstraction); and regarding sewage, the connection to an existing point in the sewage system network managed by the PU, or the installation of a WWTP.

The hydrogeologic survey<sup>27</sup> carried out for the Project ensures the existence of enough good quality water in the land subsoil in which it will be located so that, probably, the solution for drinking water provision is the drilling of a well.

Menorca’s projects include irrigable channels which are exclusively used for irrigating the inner green areas, which require the authorization from the ANA and that of the Irrigation Board<sup>28</sup>. The design of these channels is made in such a way that they do not impact on the supply to external users.

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<sup>25</sup> Under International Standard ISO 14064 (Inventories and verification of greenhouse gases), as well as the international GHG Protocol, elaborated by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

<sup>26</sup> Each location comprises: administrative offices, sales offices, work camps, warehouses and garden centers.

<sup>27</sup> “La Molina-Carabayllo Hydrogeologic Survey” stating the hydrologic demand and sustainability of the aquifer to sustain the demand.

<sup>28</sup> According to the provisions of the Water Resources Act.

The Company monitors the quality of water twice a year in certified laboratories to ensure water potability standards in all the projects. Nevertheless, the Client, besides the controls required by the DIA, will incorporate water use efficiency standards in the design of the Project.

#### 4.3.b Pollution Prevention

The projects' DIAs contain the main prevention, mitigation or correction measures for the following potential impacts: i) alteration in the ambient air quality; ii) alteration in the quality of the soils; iii) increase in noise level; and iv) waste generation.

Liquid effluents that will be generated correspond to domestic wastewater and to rainfall water in some projects. Daily volumes produced according to the National Building Rules provisions would range between 0.6 m<sup>3</sup> and 0.8 m<sup>3</sup> of liquid effluents for one-family plots measuring 90.00 m<sup>2</sup>. Domestic effluents managed through the PU will be discharged directly into the public network, observing the Maximum Permitted Values ("MPV") of concentration specified in the local legislation. In case there is a WWTP, the Client will attempt to reuse the treated water for the irrigation of green areas.

Solid waste will be classified according to the Peruvian Technical Standard ("NTP") 900.058:2019, which establishes a color code by categories and their final disposition: i) municipal solid waste, disposed of through the corresponding municipal collection service; ii) building solid waste (debris and surplus materials), which is used as filling and compacting material; and iii) reusable and non-reusable waste, which is collected by a hired company that is authorized to dispose of it.

Menorca uses the least hazardous materials for the environment and the people, for which it assesses the criticality and toxicity levels of each material. In 2020 the Company implemented a segregated storage system of hazardous and toxic materials, which keeps a continuous inventory of these materials, as well as the corresponding Material Safety Data Sheets ("MSDS").

#### 4.4 Community Health and Safety

Menorca has the Build Quality of Life Program, addressed to the members of the community so they can be trained in basic building and engage in works as local workforce. Once the training rounds are finished, this program includes, as a practical exercise<sup>29</sup>, the implementation of a small work that is of the interest of the community and which is donated to it by the Company.

Additionally, as part of the projects, the Company provides the community with certain urban infrastructure works, such as roads, sidewalks, traffic lights, and public lighting, which are improvements generated by the project for the community as a whole.

At present, there is no Emergency Preparedness and Response Plan in the community. The risks and impacts assessment do not include emergency scenarios with the communities; nor are situations requiring a coordinated response with the community considered. Consequently, the Client will assess the risks for the community previously to the development of each of the projects. The client will also develop an Emergency Preparedness and Response procedure specific for the Project,

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<sup>29</sup> See more in: <https://menorca.pe/novedades/menorca-construyendo-calidad-de-vida>

setting the guidelines for the appropriate emergency identification and response in all activities, including all its contractors, visitors, and communities.

#### 4.4.a Security Personnel

Before executing the projects, through the Overarching Security Management (“OSM”), Menorca carries out a security assessment to identify and evaluate potential risk and hazard levels, both internal and external. Based on this evaluation, it formulates security plans and a Security Personnel Functions Handbook comprising active and passive security measures to eliminate, neutralize or mitigate found risks. For the position of supervisors and security chiefs of the project, the Company hires personnel retired from the National Police of Peru.

Previously to performing their tasks, all hired personnel are trained according to the OSM’s Instruction Plan. This plan comprises, among other aspects related to the security operating chores, professional ethics and human rights issues.

According to the law, Menorca does not allow the use of weapons in the modality of service employed, due to the fact that the aim of this service is eminently preventive. At a national level and during the last five (05) years, there have not been incidents or complaints against the security personnel of the company in any of the projects.

The Company will train the security personnel of the projects on human rights according to the International Finance Corporation’s (“IFC”) *“Good Practice Handbook on the Use of Security Forces: Assessing and Managing Risks and Impacts, Guidance for Private Sector in Emerging Markets.”*

#### **4.5 Land Acquisition and Involuntary Resettlement**

The Company acquires the land plots for the urban habilitation urban habilitation by means of purchase and sale processes with individuals or companies that sell their properties at market prices and conditions and with enough information to make such decision. In this process, there is no displacement of people or economic activities as no occupied land plots are bought.

#### **4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

As the Project will be developed in urban or peri-urban strongly anthropized land, there will be no material impacts on biodiversity or on living natural resources.

#### **4.7 Indigenous Peoples**

The Project will not affect any indigenous population.

#### **4.8 Cultural Heritage**

The Company requires obtaining the Certificate of Absence of Archaeological Remains (“CIRA”) to get the Urban Habilitation License of the land plots to be developed.

The results from the technical-archaeological study of the area where the Project will be implemented, that made it possible to obtain the corresponding CIRA<sup>30</sup>, show that the site of interest does not contain any structure or resource of archaeological importance. However, Menorca will develop a Chance Find Management Procedure applicable to the Project, they will disclose it and ensure its implementation by the contractors.

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

The documentation related to Menorca and its current projects is available at: <https://menorca.pe/>

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<sup>30</sup> CIRA No. 291-2019-DCE/MC, 10/14/2019.