

Environmental and Social Review Summary (ESRS) Air-e – Colombia

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

Air-e SAS ESP (“Aire” or the “Company”) is a privately owned company dedicated to electricity distribution and commercialization in Colombia’s north region, specifically in the departments of Atlántico, La Guajira, and Magdalena. The Company provides service to approximately 1.25 million users, 94 percent of which are end users with a consumption of less than 55 MWh/month. Nearly 72% of the latter are considered low-income. Aire was selected by the national government to take over operation of the regional electricity network from the previous operator on the condition that the Company invest in improvements in efficiency and quality of service and to reduce energy losses in the distribution system. The Company’s 2021-2025 investment program calls for approximately US \$500 million in such investments. The proposed operation consists of a guaranteed, preferred corporate credit with proceeds to be applied to this investment program (the “Project”).

The Environmental and Social Due Diligence (the “ESDD”) consisted of an analysis of Aire’s environmental and social (“E&S”) performance at the corporate level; revision of Aire’s E&S management of a sample of the Company’s recent investments in specific infrastructure projects (e.g., the construction or upgrading of new electrical substations); a desk review of the documents comprising Aire’s E&S Management System (“ESMS”); and a series of virtual interviews with the Company’s E&S management staff. No physical visits were made due to the travel restrictions imposed by the COVID-19 pandemic.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according to IDB Invest’s Environmental and Social Sustainability Policy since it will likely generate, among other, the following risk and impacts: i) occupational health and safety (“OHS”) risks during construction and maintenance activities; ii) generation of waste (domestic and hazardous) and associated pollution risks, particularly related to the maintenance and disposal of electrical equipment; iii) community health and safety risks related to construction and maintenance activities occurring in populated areas; and iv) possible risks to indigenous communities (e.g., social conflict). Considering that Aire’s portfolio of planned investments consists primarily of relatively minor upgrades to existing energy infrastructure, and that the portfolio does not include any major civil works projects, the abovementioned impacts are deemed to be of medium-low intensity.

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; v)

PS5: Land Acquisition and Involuntary Resettlement; vi) PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; vii) PS7: Indigenous Peoples; and viii) PS8: Cultural Heritage

3. Environmental and Social Context

3.1 General characteristics of the Project's site

Aire owns and operates electrical equipment throughout the departments of Atlántico, La Guajira, and Magdalena. Since its focus is on energy distribution, most of the Company's activity takes place in and around population centers in areas that have already undergone significant human intervention.

3.2 Contextual risks

Conflict-related deaths in Colombia peaked at 4,592 in 2001 and have steadily declined since then. When the Colombian government reached a peace deal with the peasant-based guerilla movement Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, or "FARC") in 2016, deaths were already down to 38, and reached 34 in the following year. Deaths have increased slightly since then, reaching 243 in 2021. One of the deaths in 2021, which did not involve a paramilitary group, occurred in Barranquilla, Atlántico. The most recent death in Magdalena was in 2017, and the most recent death in La Guajira was in 2013.¹

There is higher degree of other types of contextual risk in La Guajira than the other two departments, specifically regarding its higher percentage of vulnerable groups and lower degree of development. Almost half the population of La Guajira (47.8%) self-identifies as indigenous, which accounts for a higher percentage of the country's indigenous population (20.7%) than any other department. The percentage of the population that self-identifies as indigenous in Atlántico (1.7%) and Magdalena (1.7%) is significantly smaller.² The percentage of the population that belongs to other minority ethnic groups (black, Afro-descendant, Raizal, and Palenquera) is similar in the three departments (11.6% in Atlántico, 8.9% in La Guajira, and 7.5% in Magdalena).³

In terms of development, La Guajira ranks as the third least developed region in Colombia (behind only Vaupés and Guainía) in the Subnational Human Development Index, which combines education, health, and standard of living data. In contrast, Atlántico ranks fourth highest (behind only Bogota D.C., Valle, and San Andres). Magdalena ranks 22nd out of the 32 departments plus Bogota D.C.⁴

¹ [UCDP - Uppsala Conflict Data Program \(uu.se\)](https://ucdp.uu.se/).

² <https://minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/DE/PS/boletines-poblacionales-poblacion-indigena.pdf>.

³ <https://www.dane.gov.co/files/investigaciones/boletines/grupos-etnicos/Visor-TCCN.xlsx>.

⁴ [Resource Watch, Subnational Human Development Index](#).

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

Aire manages its E&S risks according to a thorough and well-organized ESMS, which is aligned to the ISO 14001:2015 standard.⁵ The full scope of the Company's activities has been certified under this standard since January 2022. At the top of the ESMS structure is the *Guide for the Evaluation and Monitoring of Aire S.A. E.S.P.'s Environmental Management*, which describes the following core components of the ESMS framework: i) iterative identification, evaluation, and management of environmental aspects and impacts; and ii) monitoring of the Company's environmental performance. The ESMS's *Integrated Management Sheet* serves as the EMS's master process.

4.1.b Policy

Aire has established an overarching *Integrated Management System Policy* that defines the E&S objectives and principles that guide the Company to achieve sound E&S performance. The policy lists a series of E&S sustainability commitments, including: i) provision of a safe workplace for employees; ii) consultation and participation of employees; iii) assurance of the satisfaction of internal and external stakeholders; iv) compliance with environmental, health and safety ("EHS") legal requirements; and v) protection of the environment, including through prevention of contamination.

4.1.c Identification of Risks and Impacts

Aire identifies the E&S risks associated with its activities using the concept of Life Cycle Analysis, in which the Company systemically identifies every "input," "activity," and "output" of all its processes. Inputs range from tangible items such as fuels, solvents, and refrigerants, to processes such as the consumption of resources (e.g., drinking water, wood, electricity) and the generation of expectations in ethnic communities. Outputs range from the generation of various categories of waste and discharges (e.g., wastewater and air emissions) to the satisfaction of needs and expectations of ethnic communities. This information is organized into an Environmental Aspect and Impact Matrix, as well as a Hazard Identification and Risk Assessment Matrix. These matrices are updated annually, or any time new or modified activities are planned.

4.1.c.i Direct and indirect impacts and risks

Direct and indirect impacts and risks of Aire's activities are typical of projects in the energy distribution sector, and primarily include: i) occupational health and safety ("OHS") risks during construction and maintenance activities (e.g., electrocution and fall risks); ii) generation of waste (domestic and hazardous) and associated pollution risks, particularly related to the maintenance and disposal of electrical equipment (e.g., equipment containing dielectric fluid or sulfur hexafluoride – "SF6"); iii) community health and safety risks related to construction and

⁵ The ISO standard for environmental management systems.

maintenance activities occurring in populated areas (e.g., transportation of oversized loads, operation of heavy equipment); and iv) risks to indigenous communities (e.g., social conflict resulting from differences of opinions regarding Aire’s activities in or near communities).

4.1.c.ii Analysis of alternatives

Aire applies a formal analysis of alternatives procedure when acquiring lots (e.g., for substation construction) or rights-of-way (e.g., for distribution line routing). The analysis considers the following aspects of each alternative: i) protected zone status or other relevant designations defined in governmental land-use plans; ii) presence of substandard settlements; iii) mining titles on the land; iv) cadastral information; v) current and potential land uses; and vi) general physical, biological, and social contexts of each site.

4.1.c.iii Cumulative impact analysis

Since Aire’s portfolio of investments consists mostly of improvements to existing infrastructure and only a limited amount of new electrical installations (e.g., substations with limited footprints), a cumulative impact assessment is not required.⁶

4.1.c.iv Gender risks

There is a significant gender gap, defined as the differential and unequal access to economic, political participation, educational, and occupational opportunities based on sex or gender, in Latin America and the Caribbean. This gap is reinforced by pervasive cultural norms regarding acceptable roles for men and women and is exacerbated by weak legal protections and/or inadequate social response. The gender gap leads to gender discrimination, unequal access to public services, educational differentials, pay and labor gaps, and lagging political participation rates. The gender gap index for Colombia (0.71) is tied with three other countries for 15th out of 22 countries in region.⁷

Gender-based violence and harassment (“GBVH”) is also a significant problem in Latin America and the Caribbean, which has the highest rate in the world. Brazil, Mexico, Argentina, Peru, El Salvador, and Bolivia represent 81% of global cases. Twelve women are murdered a day in the region. In Central America, two of every three women killed is because of their gender (i.e., femicide), and the perpetrator is a partner or former partner in half of these cases. There were 182 reported femicides in Colombia in 2020, which was the fifth most in the region.⁸ GBVH in Latin America has been exacerbated by the COVID-19 pandemic, as indicated by a significant increase in phone calls to domestic abuse hotlines in many countries in the region.⁹

⁶ Performance Standard 1 specifies the following: “cumulative impacts are limited to those impacts generally recognized as important on the basis of scientific concerns and/or concerns from Affected Communities.”

⁷ [Gender gap index in Latin America 2022 | Statista.](#)

⁸ [Number of femicides in Latin America by country 2020 | Statista.](#)

⁹ [COVID-19: rise of gender violence in Latin America | Statista.](#)

4.1.c.v Gender Programs

Aire's Human Rights Policy prohibits: i) discrimination based on sex in hiring, promotion, pay, and working conditions; ii) all forms of sexual harassment; and iii) discrimination against women who are pregnant. It also requires adequate spaces and schedules for lactating mothers and requires the Company to establish measures to confront sexual harassment in the workplace. Aire's Internal Work Regulations (*Reglamentos Internos de Trabajo*) exempt pregnant women from conducting hazardous activities.

In 2021, 30% of Aire's direct employees and 54% of its part-time and temporary workers were women. In addition, several of Aire's social programs focus on women. This includes its leadership (*Mentes Líderes*) program, 75% of the beneficiaries of which are women.

4.1.c.vi Climate change exposure

The energy transmission and distribution subsectors are highly sensitive to acute precipitation related hazards, such as flooding and storms, which may affect substations and powerline poles. Chronic temperature related hazards may also affect the subsectors by reducing the efficiency of service and the lifespan of equipment. The Project therefore has medium physical climate risk exposure. However, across the departments of La Guajira, Atlántico, and Magdalena, there is high exposure to two climate-related hazards: riverine flooding and extreme heat with associated wildfire events. There is also moderate exposure to earthquakes and tsunamis, and moderate-high exposure to hurricane wind hazards, particularly in La Guajira. Given this situation, Aire will incorporate an analysis of climate-related risks into its risk and impact identification and evaluation matrices.

Since Aire is not a power generator, the Company's exposure to transition risks is considered low.

4.1.d Management Programs

To manage its E&S risks in a comprehensive and systematic manner, Aire has developed a series of management programs consisting of a combination of plans, procedures, and supporting documents. These include, but are not limited to, the following: i) Identification of Legal Requirements; ii) Management Review of the ESMS; iii) ESMS Audits; iv) Change Management; v) Environmental Emergency Plan; vi) Transportation and Storage of Transformers; vii) Environmental Monitoring and Compliance; viii) Noise Control for Electrical Installations; ix) Electromagnetic Field Control; x) Fauna Control; xi) Integrated Waste Management; xii) Contractor Management; and xiii) Incident and Accident Management. These management instruments are deemed to be sufficiently detailed and sophisticated to adequately address the risks and impacts of Aire's activities and those of its contractors.

4.1.e Organizational Capacity and Competency

Aire divides its E&S management into environmental, social, and OHS teams, which are led by the Planning and Control Manager, the Social Value Manager, and the Human Resources ("HR") Manager, respectively. Together, these teams comprise approximately 20 staff members.

Aire's ESMS has a detailed description of each role, including the following key information for each: i) the role's mission; ii) specific and general functions; iii) the minimum qualifications to ensure that the functionary possesses the knowledge, skills, and experience to carry out her or his functions; and iv) a matrix of responsibilities and authorities for each role level.

4.1.f Emergency Preparedness and Response

Aire has two, overarching plans related to emergency response and preparedness at a corporate level. The first is the *Emergency Prevention, Preparation and Response Plan*, applicable to offices and substations, which is a framework document upon which the Company develops site-specific emergency plans for each distinct office and substation. The second is the *General Emergency Management Plan*, aimed specifically at substations, workshops, warehouses, and vehicles that transport hazardous substances, and which contains detailed lists of potential emergencies, preventative measures, and response measures. Both plans explain the risk identification and evaluation methodology that forms their core, and both clearly define roles and responsibilities, call for regular training, and including emergency simulation exercises. At the level of individual projects, Aire develops project-specific contingency plans that consider the E&S conditions specific to the projects' particular contexts.

4.1.g Monitoring and Review

In its *Monitoring of the Environmental Compliance of Development and/or Maintenance* manual, Aire establishes the processes and criteria for monitoring compliance with the Company's environmental policies, its legal obligations, and its contractual obligations at the project level. Aire's procedures for monitoring performance at the corporate level are defined in the Company's *Guide for the Evaluation and Monitoring of the Environmental Management of Aire S.A. E.S.P.*, with specific monitoring criteria established in the document's annex: *Evaluation of Environmental Performance*. For monitoring OHS performance, Aire has developed a separate manual, *Program of Security Inspections*, that presents the guidelines for a program of health and safety inspections covering all of Aire's activities as well as those of principal contractors, and which includes assignation of resources, responsibilities, actions, timelines of activities, and performance indicators. Furthermore, to maintain its ISO 14001 certification, Aire undergoes regular internal and external performance audits.

4.1.h Stakeholder Engagement

Support for the development of local communities is one of the pillars of Aire's Sustainability Policy, and the design and implementation of social programs form part of the Company's ESMS. Aire's Social Value Strategy describes the Company's approach to working with communities. Due to the nature of Aire's business, which involves many small projects designed to bring services to communities, the Company's stakeholder engagement activities focus on developing long-term relationships with communities in the three departments in which it operates, rather than having project-specific engagements. The Company works with over 260 allies to implement its Social Value Strategy, which focuses on four goals: i) energy efficiency; ii) income generation; iii) leadership; and iv) territorial equity. The Social Value Strategy is implemented by the Company's Corporate Social

Responsibility (“CSR”) team, which is composed of 11 social specialists. It should be noted, however, that this team’s responsibilities include stakeholder engagement and not just CSR activities.

Aire supports seven social programs to achieve its four goals. Three of them focus on the energy efficiency goal. The broadest program is entitled “Transformation” (*Transformación*), which covers 3,420 neighborhoods in 57 municipalities within the three departments in which the Company operates. The program, implemented by 88 “transformers,” 90% of which are women, comprises the following components: i) engagement and communication (e.g., meetings and workshops); ii) socialization of projects; iii) energy efficiency education; iv) special areas (e.g., subsidy agreements); v) territorial requirements; and vi) support for and execution of social programs. The two other energy efficiency programs are: i) Ennova, which has achieved a 10% reduction in energy use in 300 local schools; and ii) Aire Homes (*Hogares Aire*), which has supported the replacement of over 1600 refrigerators with more energy efficient models.

There are two programs focused on income generation: i) Conte Cards (*Tarjetas Conte*), which has provided technical certification for 96 local electricians; and ii) Caribbean Entrepreneurs (*Emprende Caribe*), which has enabled entrepreneurial training for 61 local small businesses.

The last two programs are Leading Minds (*Mentes Líderes*), which has provided leadership training to 300 local community leaders, and Territorial Equity (*Territorios de Equidad*), which supports local vulnerable communities (Pueblo Viejo and Yotojorotshi) through: i) economic development; ii) support for children; iii) investment in public services and infrastructure; iv) humanitarian assistance; v) management of alliances; and vi) investment in environmental protection.

Although stakeholder engagement is generally conducted at the corporate level, Aire’s Procedures and Permits team conducts project-specific stakeholder engagement for its more significant undertakings. Specifically, the Company conducts this engagement for projects on new properties or the construction of new substations, which require development of an Environmental Management Plan (“EMP”), and for the construction of new high-tension¹⁰ (more than 66 kV) transmission lines, which require a formal Environmental Impact Assessment (“EIA”) and Environmental License. The stakeholder engagement includes: i) identification of stakeholders, including affected communities; ii) assessment of potential impacts to them; iii) socialization of the undertaking; and iv) development of an EMP specific to the undertaking, which includes a Social Management Plan with measures to mitigate any adverse impacts and enhance any positive impacts to the communities identified during the assessment.

4.1.h.i Disclosure of Information

In addition to the information disclosure activities that form part of Aire’s Transformation social program, the Company discloses information on its website and through social media. The website includes a sustainability page¹¹, with subpages on: i) the Company’s CSR Policy; ii) the Ennova social program; iii) environmental value; iv) social value; v) the Company’s Integrated Management

¹⁰ In the last two years, Aire has constructed no new high-tension transmission lines and, therefore, has not been required to develop a formal EIA or obtain an Environmental License.

¹¹ <https://www.air-e.com/nuestra-empresa/sostenibilidad/>.

System Policy; vi) a bird guide; and vii) the Company's annual Integrated Management Report, which can be downloaded from the page. Information about specific projects can be found on a "news" page, which has a tool to search articles by location and/or date.

4.1.h.ii Informed Consultation and Participation

Aire identifies stakeholders (including all communities located within the project's area of influence) for all its projects. The Company then engages with them before, during, and after the project is implemented. These interactions form part of the following components of the Company's Transformation program: i) engagement and communication; ii) socialization of projects; and iii) territorial requirements.

4.1.h.iii Indigenous Peoples

Almost half the population of La Guajira self-identifies as indigenous, with smaller percentages in Atlántico and Magdalena. Aire currently supports social programs specifically designed for indigenous communities in these departments.

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External communication

Aire's website includes information on the Company's grievance mechanism and an online form to lodge grievances.¹² It also includes information on the Company's Transparency Line and an online form and e-mail link to access it.¹³

4.1.i.ii Community grievance mechanism

Aire has a Questions, Grievances, and Claims (*Preguntas, Quejas, y Reclamos*, or "PQR") mechanism that is open to the public¹⁴ and that is mainly focused on responding to the inquiries of clients. However, it is open to receiving any type of grievance, including those related to specific projects.

Grievances can be lodged anonymously. People can lodge complaints online, by telephone, or in person at the Company's offices, 21 of which are in Atlántico, 12 in Magdalena, and 11 in La Guajira. Aire maintains a database of all inquiries received, which are categorized (question, grievance, or claim) and subcategorized according to its nature (into 171 categories in 2022). The database also tracks the number of each type of complaint by month to identify trends. Although a significant number of inquiries were received in 2022, none were related to specific projects. As a result, Aire will develop a flyer making it clear that the mechanism can receive grievances related to specific projects and share it with affected communities during such projects.

¹² <https://www.air-e.com/servicio-al-cliente/irregularidades/>.

¹³ <https://www.air-e.com/nuestra-empresa/gobierno-corporativo/linea-de-transparencia/>.

¹⁴ Accessible via the Company's website, telephone (a toll-free number as well as a direct line), WhatsApp, and the Company's app.

4.1.i.iii Provisions for addressing vulnerable groups' grievances

Aire's PQR mechanism includes multiple means of access, including in person at 44 Company offices spread throughout the three departments in which it operates, to ensure that vulnerable groups such as indigenous and other ethnic minority communities can access it.

4.1.j Ongoing Reporting to Affected Communities

Aire's 2021 Integrated Management Report complies with Global Reporting Initiative ("GRI") Standards¹⁵ and includes general information on the Company, its clients, its projects, and the Company's: i) corporate governance; ii) environmental management and performance; iii) stakeholder engagement and social performance; iv) occupational health and safety; and v) human rights policies and performance.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

In 2021, Aire had 646 direct employees (30% of which were women) and 722 part-time or temporary workers (*colaboradores en misión*), of which 387 (54%) were women. The Company also contracted the services of 36 different companies, which utilized 4,680 workers on Aire projects.

4.2.a.i Human Resources Policies and Procedures

Aire has *Internal Work Regulations (Reglamentos Internos de Trabajo or "RIT")* approved by the Ministry of Work and Social Security (*Ministerio de Trabajo y Seguridad Social*) for each of the three departments in which it operates (i.e., Atlántico, Magdalena, and Guajira). Each RIT contains the following sections: i) hiring requirements; ii) probation period; iii) internship contracts; iv) temporary workers; v) working hours; vi) overtime and night work; vii) days off and holidays; viii) paid vacation; ix) permits and licenses; x) salary and benefits; xi) occupational health and safety; xii) discipline; xiii) worker and employer obligations and prohibitions; xiv) company organization; and xv) terminations.

The Company's hiring policies and procedures are documented in a separate document, the *Personnel Selection Procedure*, which includes an explicit commitment to compliance with Colombian labor legislation.

Aire's Human Rights Policy, which codifies an array of commitments to preserve and respect the rights of its workers, affirms the Company's fidelity to relevant international agreements and treaties ratified by Colombia, as well as to the Fundamental Principles and Rights at Work of the International Labor Organization ("ILO").

¹⁵ The GRI Standards are a modular system of interconnected standards that allow organizations to publicly report the impacts of their activities in a structured way that is transparent to stakeholders and other interested parties.

4.2.a.ii Working Conditions and Terms of Employment

Aire's *Internal Work Regulations* require worker contracts for all employees and to provide all workers with copies of the Internal Work Regulations.

4.2.a.iii Workers' Organizations

The Company's RITs and its Human Rights Policy protect the free exercise of collective and union associations of workers and prohibits reprisals against workers for exercising these rights.

Approximately 32% of Aire workers are members of any of the following four unions: i) Colombian Energy Workers Union (*Sindicato de Trabajadores de la Energía de Colombia*, or "SINTRAELECOL"); ii) Colombian Electric Power Companies Workers Union (*Sindicato de Trabajadores de Empresas de Energía Eléctrica en Colombia*, or "SINTRAENERGIA"); iii) Energy Industry Workers Union (*Sindicato de Trabajadores de la Industria Energética*, or "SINTRAE"); and iv) Colombian Electric Energy Sector Industry Union (*Sindicato de Industria de Trabajadores del Sector Electricoenergético de Colombia*, or "SINTRAINSELEC"). Aire has a collective bargaining agreement with SINTRAELECOL, which is the Company's principal workers union.

4.2.a.iv Non-discrimination and Equal Opportunity

Aire's *Human Rights Policy* prohibits discrimination on the basis of: i) sex; ii) ethnic origin; iii) race; iv) language; v) religion; vi) age; vii) disability; viii) political affinities; ix) sexual orientation; x) nationality; xi) marriage status; xii) socioeconomic status; or xiii) any other characteristic. The policy requires non-discrimination and equal opportunity in hiring, promotion, pay, and working conditions, and prohibits: i) sexual or racial harassment; ii) national, racial, or religious intolerance; and iii) unequal treatment or discrimination. The RITs also contain specific prohibitions against religious and political discrimination, and a general prohibition against carrying out or authorizing any act that diminishes or restricts the rights of workers or offends their human dignity. Aire's *Personnel Selection Procedure* declares the Company's commitment to comply with national labor laws (which themselves require non-discrimination in employment) and includes language promoting compliance with international requirements related to non-discrimination and equal opportunity in the workplace.

4.2.a.v Retrenchment

Aire requires the approval of the Ministry of Work and Social Security for any mass terminations. Its RITs state that, if needed, all such terminations must be conducted with prior notice and in compliance with worker contracts and local regulations. However, no retrenchment is anticipated for this Project.

4.2.a.vi Grievance Mechanism

Aire has an Ethics Channel open to workers that can be utilized to ask questions, request information, and report or lodge grievances regarding violations of Company policies or national

regulations. The channel can be accessed via e-mail, regular mail, an online form, by telephone, or in person and can receive anonymous complaints. The Company's *Human Rights Policy* encourages workers to make use of the employee grievance mechanism and expressly prohibits retaliation against any of them for seeking justice through the legal system regarding workplace-related incidents.

Aire also has Labor Coexistence Committees (*Comites de Convivencia Laboral*) composed of Company and worker representatives that meet bimonthly in each department. In these committees, designed to improve working conditions in collaboration between the Company and its employees, worker representatives are encouraged to present collective complaints and suggest improvements. The Company also has a Joint Committee on Health and Safety at Work and a Road Safety Committee in which workers can communicate concerns with the Company. Aire also utilizes monthly surveys to obtain concerns directly from its workers.

4.2.b Protecting the Workforce

4.2.b.i Child Labor

Aire's Human Rights Policy prohibits child labor and all forms of exploitation of minors that transgress the rights of children as established by the United Nations. The Company's *Personnel Selection Procedure* states clearly, as a "basic principle," that the Company does not hire minors.

4.2.b.ii Forced Labor

Aire's Human Rights Policy recognizes and promotes the right to free choice of employment and rejects any form of slavery, forced labor, mistreatment, underage captive workers, corporal punishment, and mental or physical coercion.

4.2.c Occupational Health and Safety

Aire's Integrated Management System Policy includes the following OHS commitments: i) safe and secure work environments based on the elimination of dangers and reduction of occupational risks; ii) consultation and participation of workers; iii) satisfaction of the needs and expectations of stakeholders; iv) continuous improvement of performance; and v) compliance with legal and other requirements. For identifying and managing OHS risks, Aire's ESMS includes a Hazard Identification, Risk Assessment, and Determination of Controls procedure, which the Company applies to all its processes and those of its contractors. The procedure describes the following OHS workflow and the responsible parties for each step: i) training of collaborators in the identification of hazards; ii) application of survey for collecting initial information; iii) validation of the information with the person responsible for the process; iv) evaluation of the risks and determine controls; v) publication and socialization of the hazard matrix with the Joint Committee on OHS (the formation of which is a legal requirement) and with relevant collaborators; vi) verification of the application of intervention and control measures; and vii) update of the hazard matrix in case of any changes or new information.

Aire has a separate manual, the *Contractor Environment and Security Manual*, which was developed specifically for contractors, and which references Aire's other OHS plans and procedures as well as the relevant legal framework. The manual includes sections on occupational accident and illness notification and reporting, work safety analysis, and work permits. It also provides guidelines regarding the following OHS topics: i) emergency preparedness and response; ii) golden rules of safety; iii) signage; iv) personal protective equipment; v) work clothing; vi) housekeeping; vii) use of tools; viii) use of vehicles; ix) soldering and hot work; x) excavations; xi) electrical installations and work; xii) handling heavy loads; xiii) use of portable ladders; xiv) scaffolding; xv) work at heights; xvi) floor and wall openings; xvii) painting; xviii) handling of chemical products; xix) construction of brick and block walls; xx) first aid; xxi) fire prevention; xxii) emergency response; and xxiii) safety and auditory inspections.

For addressing the OHS risks and impacts most common to the energy distribution sector, Aire also has a series of pre-defined, documented programs and procedures, including the following: i) Work at Heights Management Program; ii) Work on Deenergized Lines; iii) Substations Work Manual; iv) Electrical Risk Management Program; v) Work in Low Tension; vi) Chemical Risk Management Program; vii) Safety Inspection Program; viii) Occupational Medical Exams Procedure; ix) Preventive Medicine Program; and x) Hearing Protection Management Program.

Aire tracks monthly health and safety statistics and compares them against indicators for: i) absenteeism for medical reasons; ii) accident frequency; iii) accident severity; and iv) proportion of fatalities. In 2022, the Company recorded 10 accidents resulting in 36 lost days, and no fatalities.

4.2.d Provisions for people with disabilities

Aire's *Human Rights Policy* prohibits discrimination in recruitment and hiring based on disabilities and references the United Nations ("UN") Convention on the Rights of Persons with Disabilities.

4.2.e Workers Engaged by Third Parties

Aire's OHS management system applies to all direct and indirect employees. The Company's Operational Control Area is responsible for ensuring contractor compliance with this system, as well as compliance with local laws and regulations. Contractors are required to send Aire monthly reports (including health and safety indicators that are analyzed by the Company to identify non-compliances and develop improvement plans); to take the Company's induction training prior to initiating their work; and to pass regularly planned, unplanned, pre-operational, and formal inspections according to its *Safety Inspections Program*.

Aire also has technical specifications for contractors that are part of their service contracts. These specifications include environmental and health and safety requirements, such as: i) the presentation and approval of the contractor's health and safety management system; ii) the presentation and approval of the contractor's environmental management system; iii) information on worker qualifications; iv) pre-work medical examinations of workers; and v) the need to develop a transportation management plan, a contingency plan, and a health plan, including COVID-19 procedures.

4.2.f Supply Chain

Aire's *Human Rights Policy* applies to its contractors and suppliers. The policy commits the Company to take the following actions: i) share the policy with contractors and suppliers; ii) provide contractors with training on the policy; iii) include clauses in contracts requiring respect for human rights; and iv) evaluate non-compliances.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

As part of its ESMS, Aire has developed a manual of environmental controls in its office spaces, aimed chiefly at promoting gains in resource efficiency. The controls are divided into four areas: i) electricity consumption (e.g., keeping windows and doors closed in air-conditioned spaces, shutting off and unplugging electronics when not in use, and shutting off lights when leaving rooms); ii) water consumption (e.g., alerting the General Services department when leaks are detected and avoiding landscape watering during midday hours); and iii) paper consumption (e.g., printing documents double-sided and favoring the use of electronic documents over printed documents). The manual also contains a procedure for periodically measuring energy and water usage and calls for regular inspections of facilities by the Environmental Department to identify opportunities for improvements.

4.3.a.i Greenhouse Gases

Aire began measuring its carbon footprint in 2021 for Scope 1 and 2 emissions (Scope 3 is pending), focusing on fuels (gasoline and diesel), SF₆,¹⁶ refrigerants, and recharging of fire extinguishers. Scope 1 emissions calculated to be 202,289 metric tons of carbon dioxide equivalent (tCO₂e) for the year, broken down as follows: SF₆ (86.4%); diesel consumption by vehicles (10.1%); gasoline consumption by vehicles (2.4%); fire extinguisher recharge (1.1%); and refrigerants (0.004%). Scope 2 emissions, totaling 197,913 tCO₂e, were as follows: transmission and distribution losses (98.7%); and auto-consumption of energy (1.32%).

The Company has committed to reduce its Scope 1 and 2 emissions by 2.2 percent per year as its contribution towards achieving United Nations Sustainable Development Goal 12—Responsible Consumption and Production.

4.3.a.ii Water Consumption

Given the nature of Aire's business and the regions in which the Company operates, its consumption of water is not material. Nevertheless, Aire measures and tracks water usage at its offices and promotes water conservation measures through the following means: i) the *Environmental Control Manual*; ii) employee training sessions on efficient use of resources in the office; and iii) regular inspection and maintenance of its facilities. In 2021, the consumption of water at Aire's offices

¹⁶ SF₆ is a synthetic, highly stable, non-toxic, non-flammable, electronegative and odorless greenhouse gas that's used in the electricity industry to keep networks running safely and reliably.

approached 27 thousand liters (“L”), with the following geographic breakdown: Atlántico (20,856 L); La Guajira (3,494 L); and Magdalena (2,476 L).

4.3.b Pollution Prevention

Aire’s most significant pollution risk relates to the storage and transport of equipment (e.g., transformers) that contain dielectric fluid. The Company has, therefore, developed a manual specifically to address this risk (*Operative Manual for the Transport and Storage of Transformers and Equipment Containing Dielectric Fluid*), which applies to Aire’s personnel and stipulates that contractors involved in the transport and storage of such equipment must have their own procedure aligned to Aire’s. Similarly, Aire has a manual (the *Guide for the Measurement of SF6 Leaks in Electrical Substations*) dedicated to the detection and measurement of SF6 leaks.

For contamination risks related to spills, *Aire’s Integrated Waste Management Plan* includes a contingency plan for hazardous waste spills, which references Decree 321 (1999)¹⁷ as well as a corporate *Emergency Management Plan*. The Company manages noise pollution according to its environmental noise monitoring program for substations and high-tension power lines, which it will update to be consistent with the noise level guidelines in the IFC General EHS Guidelines.¹⁸ Aire uses metal support structures in its electricity distribution system, which avoids the need for chemical treatments typically applied to wooden power poles.

4.3.b.i Wastes

All the Company’s liquid effluents are discharged to municipal sewage systems.

Aire’s principal solid waste production and associated management strategies for each type are as follows: i) waste related to maintenance activities (e.g., material from dismantling of electrical network equipment, including cables, transformers, ironworks, and porcelain) are held at temporary storage sites until it is collected by a contracted, specialized, and licensed waste management company; ii) waste generated at transformer workshops (e.g., paper, dielectric oils, scrap metal, chemical storage containers, oils potentially contaminated with PCBs,¹⁹ and contaminated personal protection equipment (“PPE”)) are sorted into appropriately identified storage containers, held temporarily at a storage site, and then collected for final disposal by a waste management company; iii) waste generated during subproject execution (e.g., scrap cables, ironworks, and posts) are taken to the main storage warehouse for sorting (i.e., separating hazardous wastes, scrap metals, glass, and wood), reuse, or disposal, while remaining debris is brought to duly authorized disposal sites; and iv) administrative office waste (e.g., paper, cardboard, plastics, batteries, electronics in disuse, and fluorescent bulbs) are sorted into labeled containers, with the hazardous wastes (e.g., used electronics, fluorescent bulbs) stored separately for final disposal by a certified waste manager. In

¹⁷ Which establishes the National Contingency Plan for Addressing Spills of Hydrocarbons, Derivatives and Noxious Substances in Marine, River and Lake Waters

¹⁸ Accessed on February 21, 2023 with the following link: <https://www.ifc.org/wps/wcm/connect/4a4db1c5-ee97-43ba-99dd-8b120b22ea32/1-7%2BNoise.pdf?MOD=AJPERES&CVID=nPtwZY>.

¹⁹ Polychlorinated biphenyls (PCBs) are a group of manmade very stable chemical mixtures that are resistant to extreme temperature and pressure and are used to cool transformers.

2022, Aire generated 3,093 metric tons of non-hazardous waste, and 279 metric tons of hazardous waste.

Aire makes use of available options for waste recycling. In 2021, the company recycled a total of 5.52 metric tons of waste, broken down as follows: aluminum (0.03 tons), cardboard (0.69 tons), scrap metal (0.85 tons), paper (1.20 tons), and PET plastics (2.75 tons).

All of Aire's vehicles are leased, and maintenance is performed by the leasing company. This avoids the need for Company to manage vehicle maintenance-related waste.

According to the Colombian legal code,²⁰ Aire is considered a "Large Quantity Generator" of hazardous waste, since the Company produces over 1,000 kilograms per month, on average, of this type of waste. To manage its hazardous and common waste, Aire has included in its ESMS a robust *Integrated Waste Management Plan* with the stated purpose of identifying the sources of waste generation, determining its hazard level, and establishing guidelines for its handling and management. The plan contains a description of the relevant legal framework governing waste management in Colombia, including references to legal requirements related specifically to the management of PCBs.²¹

The temporary storage sites that Aire uses to stage hazardous wastes are designed and built for purpose. They are equipped with impermeable floors, protection from the elements, adequate ventilation, and preventative signage to avoid the mixing of different wastes. The separation of wastes, hazardous and common, is carried out according to detailed guidance in the waste management plan, which covers the following parameters for each type of waste: i) container type and identification; ii) the party responsible for its transportation; iii) the appropriate temporary storage facility type; iv) the party responsible for its transportation; and v) the site of its final disposal.

The waste management plan has a separate chapter dedicated to the management and disposal of equipment containing or contaminated with PCBs. In compliance with the relevant legal requirements,²² Aire has set a corporate goal to identify and mark all its equipment contaminated with PCBs by the end of 2024. By December 2028, the Company commits to the environmentally responsible disposal of all of PCB contaminated waste identified and marked prior to the close of 2024.

4.3.b.ii Hazardous Materials Management

Aire recognizes that equipment containing dielectric fluid poses its most significant hazardous materials management challenge and has thus developed an *Operative Manual for the Transport and Storage of Transformers and Equipment Containing Dielectric Fluid*. The manual includes requirements for drivers and for vehicles (including proper signage and emergency preparedness

²⁰ Decree 4731 (2005), Article 28.

²¹ Resolution 0222 (2011), *Ministerio de Ambiente y Desarrollo Sostenible*, which establishes requirements for the management of equipment and wastes that consist of, contain, or are contaminated with PCBs; and the Manual for the Integrated Management of PCBs, *Ministerio de Ambiente y Desarrollo Sostenible* (2016).

²² Resolution 0222 (2011), *Ministerio de Ambiente y Desarrollo Sostenible*

supplies), as well as requirements governing storage site design and management. For managing additional chemical risks, the Company's ESMS includes a *Chemical Risk Management Plan* with annexes dedicated to chemical storage, labeling, and classification. For avoidance, mitigation, and response to hazardous material related disasters, Aire refers to its *Disaster Risk Management Master Plan*.

4.3.b.iii Pesticide Use and Management

Aire manages pesticide use (e.g., for control of rodents) through the application of its *Chemical Risk Management Plan* and its associated annexes. The Company does not utilize any pesticides classified as extremely hazardous (Class Ia) or highly hazardous (Class Ib) by the World Health Organization.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

Aire ensures the health and safety of surrounding communities through implementation of the following management plans: i) Disaster Risk Management Master Plan; ii) Operative Manual for the Transport and Storage of Transformers and Equipment Containing Dielectric Fluid; iii) Guide for the Measurement of SF6 Leaks in Electrical Substations; iv) Chemical Risk Management Plan; v) Electromagnetic Field Control Plan; vi) Environmental Noise Plan; vi) Biosecurity Protocol; and vii) a separate Emergency Preparedness and Response Plan for each of the Company's offices.

4.4.a.i Infrastructure and Equipment Design and Safety

Aire's comprehensive and detailed *Disaster Risk Management Master Plan* includes procedures for ensuring that all the Company's electrical installations comply with the Ministry of Mines and Energy's Technical Regulations for Energy Installations ("RETIE" for its acronym in Spanish). These regulations are aimed at minimizing risks to the surrounding environment and communities from electrical installations, specifying that such installations must be designed by professionals with the appropriate, legally defined qualifications.

4.4.a.ii Hazardous Materials Management and Safety

The disaster risk management plan includes extensive guidance on hazardous materials management and safety. It lists every chemical and other class of hazardous material in use by Aire that could pose a risk to the surrounding environment and communities; describes the socioenvironmental context and the relevant legal framework in the areas in which the Company operates; and provides risk prevention and reduction measures. The plan references Aire's other associated plans, for example the plan for addressing risks related to dielectric fluids (the *Operative Manual for the Transport and Storage of Transformers and Equipment Containing Dielectric Fluid*). The Company's *Chemical Risk Management Plan* addresses in further detail the risks to community health and safety related specifically to hazardous chemicals, including but not limited to PCBs and other dielectric fluids, used in Aire's operations. Finally, Aire's *Guide for the Measurement of SF6*

Leaks in Electrical Substations provides for the identification and mitigation of community health and safety risks related specifically to the use of SF6.

4.4.a.iii Ecosystem Services

Aire's activities focus on the rehabilitation and improvement of existing electrical distribution systems and, therefore, no material impacts on ecosystem services are foreseen.

4.4.a.iv Community Exposure to Disease

To manage community exposure to COVID-19 and other communicable disease, Aire's ESMS includes a *Biosecurity Protocol*, which provides guidance in the following areas: i) hand hygiene; ii) physical distancing; iii) mask use; iv) ventilation; v) cleaning and disinfection; vi) waste management; and vii) event hosting.

4.4.a.v Emergency Preparedness and Response

Aire's disaster risk management master plan calls for the Company to socialize its projects with local communities, including presenting information regarding each project's environmental and social risks. Guidelines are presented in the plan for the Company to educate local communities regarding the risks and dangers that electrical installations pose, for example when installations are tampered with or accessed without authorization. The plan also defines an emergency alert system, which involves communicating the occurrence of emergencies, accidents, or disasters to local communities, either directly or relayed through the appropriate authorities.

4.4.b Security Personnel

Aire utilizes contractors to provide security services. Security personnel that guard substations are armed, but all other security personnel are unarmed. The Company's *Human Rights Policy* references the Voluntary Principles on Security and Human Rights and: i) rejects any action that may violate the life, safety, and integrity of a person, both physically and psychologically; ii) commits to human rights training for security personnel at the Company's facilities; iii) adopts security procedures consistent with the United Nations ("UN") Basic Principles on the Use of Force and Firearms by Law Enforcement Officials and with the UN Code of Conduct for Law Enforcement Officials; iv) prohibits the hiring of security personnel responsible for violations of human rights; and v) commits to the independent investigation and reporting of any complaints about security personnel. Aire will develop a corporate Security Management Plan to operationalize these policies.

4.5 Land Acquisition and Involuntary Resettlement

Aire's projects primarily involve upgrades to existing infrastructure that do not involve the acquisition of land or easements. For the few projects that do involve such acquisitions, however, the Company has separate procedures for land acquisition (*Gestión de Compra de Lotes*) and easements (*Gestión de Constitución de Servidumbre*). The *Land Acquisition Procedure* includes the following steps: i) identifying the properties within the project area; ii) visiting and surveying the

properties; iii) consulting with government agencies to identify any impediments (including the need to conduct prior consultation with ethnic minority groups); iv) appraising the properties (at market or replacement values); v) negotiating with landowners; and vi) documenting the sale. The *Easement Procedure* follows the same general steps but indicates that if an agreement cannot be reached with the landowner, the project's route is changed.

Aire will update its land acquisition procedure to include a requirement to evaluate any physical and/or economic displacement its activities may cause. If such displacements are needed for a project, the procedure will require the development and implementation of a Resettlement Action Plan for that project.

4.6 Biodiversity Conservation and Natural Habitats

4.6.a General

Aire's activities to date, and those in its current portfolio, involve primarily the rehabilitation and improvement of electrical distribution systems within their current footprint. The occasional greenfield projects that the Company will develop in the future (mainly small substations) are deemed to have a relatively small footprint and their direct impacts on biodiversity will most likely be minor or negligible.

4.6.b Protection and Conservation of Biodiversity

The combination of the height of transmission towers and distribution poles and the electricity carried by transmission and distribution lines can pose a risk to birds and bats through collisions and electrocutions. In recognition of this risk, Aire has taken the step of compiling a list of the birds of the three departments where it operates that are of conservation concern (i.e., they appear on national or international lists of threatened or endangered species). As a next step, Aire will systematically review its existing electrical installations for opportunities to implement prevention and control measures to minimize avian and bat collisions and electrocutions as part of its regular equipment maintenance and improvement program.

When Aire's projects involve physical intervention of natural areas, the Company abides by local and national laws and regulations that require the following: i) surveys of the flora and fauna in the project's area of influence; ii) measures to avoid, mitigate, or compensate impacts to biodiversity; and iii) plans to implement these measures and report progress to the relevant authorities. Aire will incorporate into its ESMS a procedure for its maintenance activities that will minimize vegetation trimming in the rights of way of distribution lines.

4.6.b.i Legally Protected Areas and Internationally Recognized Areas

Aire does not currently own or operate any projects located in protected areas.

Before implementing any new development project, Aire consults in writing with the appropriate local and departmental authorities to determine if the project overlaps with any protected area.

Although such projects are currently deprioritized for development during the process of analyzing alternatives, the execution of such projects will not be pursued in the future.

4.7 Indigenous Peoples

4.7.a General

Aire's *Human Rights Policy* commits to the protection of constitutionally protected populations, including indigenous communities. It references ILO Convention 169 (Indigenous Tribal Peoples Convention) and the UN Declaration on the Rights of Indigenous Peoples ("UNDRIP").

Aire consults with all indigenous communities identified during baseline studies conducted for major projects (i.e., projects on new properties, construction of new substations, and construction of new high-tension transmission lines), regardless of whether prior consultation (*consulta previa*) is required under Colombian law. For example, even though prior consultation was not required under Colombian law because the proposed actions did not directly impact the communities, Aire consulted with 32 indigenous communities in La Guajira in 2022 regarding upgrades to an existing high-tension transmission line (Manaure/Uribia Línea 529). The objective of the consultation was to obtain permission to enter and survey the communities as part of their Social Value Strategy, which supports social programs within the area of influence of Aire activities.

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

In the last two years, none of Aire's projects have required prior consultation (*consulta previa*) under Colombian legislation, as they had no direct adverse impacts on indigenous, Afro-descendant, or other ethnic minority communities recognized and protected by the Colombian government.

Since Aire's activities will be undertaken in the departments of La Guajira, Atlántico and Magdalena (where 47.8%, 1.7%, and 1.7% of the population self-identifies as indigenous and 8.9%, 11.6%, and 7.5% self-identifies as black, Afro-descendant, Raizal, or Palenquera, respectively), where there is the possibility that such activities could generate impacts on those communities, Aire will develop a Free, Prior, and Informed Consent ("FPIC") procedure to: i) ensure that its major projects identify indigenous, Afro-descendant, and other ethnic minority communities within their areas of influence, regardless of whether they are recognized by the Colombian government; ii) evaluate whether these projects trigger the circumstances requiring FPIC, regardless of whether prior consultation is required under Colombian law; and iii) obtain and document FPIC from triggered communities.

4.7.c Mitigation and Development Benefits

In addition to consulting with indigenous peoples regarding specific projects, Aire supports several social programs specifically designed for them. In 2022, the following indigenous communities participated in the Company's social programs: i) the Wayúu-Yotojorotshi community in La Guajira, in the Territorial Equity program that aims to improve the community's standard of living; ii) the Wayúu-Cucurumaná community, also in La Guajira, in the Leading Minds program that focuses on improving the leadership skills of community leaders; and iii) the Mokaaná-Galapa community in

Atlántico, in the Caribbean Entrepreneurship program that pursues the improvement of the competitiveness and productivity of small businesses.

4.7.d Private Sector Responsibilities Where Government is Responsible for Managing Indigenous Peoples Issues

Aire is responsible for managing its own relationships with indigenous and other ethnic minority communities within the area of influence of its activities.

4.8 Cultural Heritage

Aire's projects typically involve upgrades to existing infrastructure and therefore do not involve the demolition of structures that could constitute cultural heritage. Moreover, they usually involve minimal ground disturbing activities that could impact archaeological or paleontological resources.

Aire has a chance find procedure to identify and protect cultural heritage inadvertently discovered during ground disturbing activities (*Gestión de encuentro fortuito con restos arqueológicos*). In the event of a chance find, the procedure requires work to stop and immediate notification of the Company's environmental department, which is required to notify the Colombian Institute of Anthropology and History (Instituto Colombiano de Antropología e Historia, or "ICANH"), which decides how to proceed.

Aire, however, will update the Chance Find Procedure to include training in the identification of chance finds for workers engaged in ground-disturbing activities.

5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link:

This website has information on their general E&S policies:

<https://www.air-e.com/nuestra-empresa/sostenibilidad/>

Information on specific projects can be found in the news section of their website:

<https://www.air-e.com/nuestra-empresa/sala-de-prensa/noticias/>