

Environmental and Social Review Summary (ESRS) Guerrero Green Park – Costa Rica

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

Grupo Desarrollador de Parques Industriales S.A. (“GDPI” or the “Company”) is a company created by Grupo Guerrero to develop Parque Industrial Green Park (the “Industrial Park”), located in El Coyol, Alajuela Province, Costa Rica. The project includes the construction of three industrial facilities within the park, with an approximate surface area of 23,000 m² (the “Project”). The Project will be developed in a period of approximately 24 months.

The environmental and social due diligence (“ESDD”) for the Project consisted of the assessment of technical, environmental, health and safety, and social documentation submitted by the Company. Given the restrictions on mobility imposed by the COVID-19 pandemic, this assessment included phone calls with the Company’s environmental, human resources, and occupational health and safety teams.

2. Environmental and Social Categorization and Rationale

The Project has been classified as Category B in accordance with the IDB Invest Environmental and Social Sustainability Policy, given that the environmental and social impacts that it may generate are limited, reversible, and may be easily managed.

For activities related to the construction and expansion of the Project, the potential impacts and risks include: (i) noise pollution and vibration generation; (ii) generation of both hazardous and non-hazardous waste; (iii) wastewater generation; and (iv) increase of occupational health and safety risks for workers. During the operation phase, the most significant risks and impacts are related to: (i) the health and safety of workers; (ii) the generation of solid waste (both hazardous and non-hazardous); (iii) the functionality of fire detection and control systems; (iv) effluent generation (process water used by tenants and domestic wastewater); and (v) energy used to supply common areas.

The Performance Standards (PS) triggered by the Project are: i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS2: Labor and Working Conditions; iii) PS3: Resource Efficiency and Pollution Prevention; and iv) PS4: Community Health, Safety, and Security.

3. Environmental and Social Context

3.1 General characteristics of the Project's site

The Green Park Industrial Park is an industrial real estate project with over 50,000 m² of construction area distributed among 10 industrial facilities (of which three have already been built) and a commercial building (to be built) that will accommodate companies under the free-trade zone system (companies may either buy or lease the premises). The Industrial Park is located on a 12.7-hectare plot of land, and includes complementary works such as internal streets, utilities networks (water, electricity, and telecommunications), two rainwater retention ponds, a wastewater treatment plant, a water tank with a storage capacity of 250 m³, and an administrative office building. The Industrial Park's tenants are primarily companies in the healthcare, pharmaceutical, advanced manufacturing, and logistics industries.

3.2 Contextual risks

Costa Rica is a relatively stable country, and has not experienced any significant social unrest in recent years.

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

The Company has implemented an Environmental and Social Management System ("ESMS") that consists of its Environmental Policy and procedures to comply with the requirements of local environmental regulations. After comparing these systems against the nine components required to ensure a robust ESMS, the only component that requires improvement is the need to document and improve some management policies and programs.

4.1.b Policy

GDPI's current Environmental Policy emphasizes the Company's commitment to efficient resource use (water and energy), as well as minimizing waste production and comprehensive waste management.

However, this policy does not meet the minimum requirements of a comprehensive environmental, social, and occupational health and safety (OHS) policy. Additionally, the policy that is currently in force has not been adequately communicated to employees, contractors, and key suppliers.

4.1.c Identification of Risks and Impacts

The Company implements basic risk identification processes, but these are primarily limited to OHS risks.

4.1.d Management Programs

GDPI's ESMS procedures cover the following aspects, among others: (i) occupational health and safety for workers; (ii) waste management; (iii) efficient resource use; and (iv) emergency prevention and response. However, they do not include procedures related to efficient water use, effluent control, or chance finds.

4.1.e Organizational Capacity and Competency

A professional who reports to the CEO is responsible for the management of environmental and OHS risks. The environmental and OHS manager is supported by external consultants in the management of environmental issues. Labor issues are managed by an administrative manager.

4.1.f Emergency Preparedness and Response

Costa Rica is susceptible to seismic and volcanic activity, hurricanes, severe storms, and floods, which may pose an unexpected risk for the Project. However, these threats represent a moderate to low risk, both in terms of the damage they may cause to physical infrastructure, as well as for residents or visitors.

The Industrial Park is located in a mixed-use zone, within a commercial and industrial area bordered to the north-east by a residential community. GDPI has developed a detailed emergency preparedness and response plan ("EPRP") for its operations, in line with local legal requirements and the industry's international best practices. Said plan includes emergencies caused by fire, earthquakes, volcanic activity, hazardous material spills, burst pipes and personal accidents. The Company's employees receive training on emergency preparedness and response and first aid. GDPI carries out basic emergency drills (evacuations) more than once a year, based on the identified risks.

Each tenant building within the Industrial Park has its own emergency response plan, taking into account their specific risks. However, these plans are not coordinated with GDPI's plans and do not include provisions for: (i) coordinating the required response with each tenant for events which occur in their facilities outside of working hours, (ii) drawings, sketches, risk maps, and fire protection systems and equipment; and (iii) the possibility of other emergencies occurring (health emergencies, electrical emergencies, etc.).

4.1.g Monitoring and Review

GDPI does not currently have a formal monitoring plan as part of its ESMS, but the Company collects and analyzes certain information in order to comply with local environmental regulations. However, this procedure lacks an environmental, social, and occupational health and safety monitoring matrix with key performance indicators (KPIs) that address issues such as: i) safety, including the analysis of lost-time injury rates and frequency, days without accidents, etc.; ii) sustainability, including greenhouse gas emissions, water use and energy efficiency calculations, etc.; and iii) social issues, monitoring the number of environmental and social complaints made by local communities.

4.1.h Stakeholder Engagement

As part of the environmental licensing process, the Company conducted a survey with 200 residents in the Project's direct area of influence, in which it included general information on the Industrial Park. However, the Company has yet to develop a Stakeholder Engagement Plan that identifies the types of stakeholders that may be interested in or affected by the Industrial Park's operations, indicates the communication channels with these stakeholders, specifies how stakeholders and the general public will be regularly informed about the Company's environmental and social performance, and defines the person at GDPI who is responsible for maintaining relations with communities.

4.1.i External Communication and Grievance Mechanisms

The procedure adopted by GDPI for the receipt of complaints and grievances includes the ability to receive and respond to both external and internal complaints. The affected communities can submit their complaints, grievances, or suggestions in person at the Industrial Park's administrative offices, or by sending an email to info@thegreenparkfz.com, which can be accessed via the Company's website (www.thegreenparkfz.com). No external complaints have been registered during the last 12 months.

However, the mechanism adopted lacks procedures for documenting and registering complaints that include, among other aspects, the following: i) the person responsible for registering complaints, investigating complaints, determining the necessary measures to resolve complaints, and informing the individuals who file complaints about the results of the process; ii) the guidelines for registering, analyzing, categorizing, investigating, and specifying alternatives to resolve complaints, indicating the maximum period in which a response will be provided; and iii) the way in which the mechanism will be publicized to ensure that communities know where to go and who to contact if they require.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

GDPI has 11 employees. The workforce required during the Project's construction phase is expected to reach a peak of 180 people.

4.2.a.i Human Resources Policies and Procedures

GDPI has yet to implement a Human Resources Policy that complies with PS2 guidelines and local legislation.

4.2.a.ii Working Conditions and Terms of Employment

Working hours and remuneration (including overtime) for direct employees are in accordance with local legislation. Furthermore, GDPI has established additional incentives such as travel expenses, and allocations for fuel, depreciation, food, accommodation and use of Company vehicles. Other

benefits provided by the Company include scholarships and health campaigns in coordination with government agencies. However, the Company has not implemented Internal Labor Regulations to provide information to its employees on their rights in accordance with national labor and employment legislation, including their rights related to working hours, salary, overtime, compensation, and benefits granted upon the start of the employment relationship and whenever any substantial change occurs.

4.2.a.iii Workers' Organizations

There are not currently any unions or workers' associations within GDPI that have reached a collective labor agreement with the Company. Costa Rican legislation does not impose any barriers on freedom of association of workers or collective negotiation.

4.2.a.iv Non-discrimination and Equal Opportunity

GDPI is a company that provides equal opportunities to all its employees, regardless of their nationality, ethnic origin, race, color, gender, age, marital status, social status, religious beliefs, political affiliations, disability status, or sexual orientation.

4.2.a.v Retrenchment

The Company does not have any plans to reduce its workforce in the future.

4.2.a.vi Grievance Mechanism

GDPI's employees can submit complaints, grievances, or suggestions in person at the Industrial Park's administrative offices or via email. No employee complaints have been registered in the last 12 months. However, a person has yet to be assigned to monitor the complaint resolution process for both direct employees and subcontractors.

4.2.b Protecting the Workforce

The ESDD process did not identify the existence of child labor or forced labor.

4.2.c Occupational Health and Safety

GDPI's OHS Policy aims to promote an occupational health and safety culture in the Industrial Park and raise awareness to achieve zero accidents. GDPI complies with Costa Rican health and safety laws and regulations. OHS risks are analyzed for both administrative and construction activities. Based on the risks identified, the Company implements preventive measures to avoid them. No workplace accidents have been reported in the last 24 months.

Under the OHS Program, the Company carries out regular safety inspections on contractor companies to determine the safety guidelines that must be complied with, based on national legislation. Similarly, this program establishes the schedule for meetings and employee training on OHS issues, in accordance with the work to be carried out.

GDPI's OHS Program maintains an accident log. However, it does not include the lost-time injury frequency rate ("LTIFR") or lost-time injury severity rate ("LTISR"). The OHS Program also fails to incorporate formal audit procedures to ensure contractor compliance with OHS aspects, or require a copy of the OHS Program as part of the construction contract.

4.2.d Workers Engaged by Third Parties

GDPI has yet to implement a Supplier Code of Conduct ("SCC") applicable to all organizations with which the Company maintains a contractual relationship that addresses issues such as compliance with local laws, the implementation of anti-discrimination practices, ensuring timely salary payment, non-discrimination and equal opportunities, the prohibition of child labor and forced labor, and the need to maintain occupational health and safety.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Water Consumption

GDPI uses water from a 90-meter-deep well to: i) sustain its irrigation system for nearby green areas; ii) cover employees' basic needs; and iii) supply water for its tenants and to clean common areas. The assigned capacity is 7.0 liters per second ("l/s") for a maximum of 18 hours a day, with actual estimated consumption of 3.0 l/s. The construction of the new industrial facilities is not expected to result in a significant increase in water consumption.

As part of the environmental licensing process, the Company carried out an aquifer recharge study in Barva and Colima aquifers, concluding that water consumption at the Industrial Park will not significantly affect the capacity of aquifers to supply the assigned volume.

4.3.a.ii Energy

GDPI uses electricity to supply the wastewater treatment plant, its administrative offices, construction activities, and the Industrial Park's common areas. Electricity is supplied through the public power grid, with annual energy consumption of approximately 159.7 GWh.

4.3.a.iii Greenhouse Gases

During the construction phase, there will be emissions of gases such as NO_x, SO_x and CO_x associated with the use of vehicles and machinery required for the construction of the Project. Greenhouse gas generation during the construction phase is expected to be for a short period of time, and will be non-material.

4.3.b Pollution Prevention

As part of the construction activities, GDPI will periodically monitor noise levels, particulate matter (PM₁₀ and PM_{2,5}), vibration, and sediments produced in order to ensure that their concentrations remain within the maximum limits established by local legislation and international best practices.

4.3.b.i Effluents

The liquid waste generated by the Project includes runoff from the rainwater management system and effluents from the Industrial Park's wastewater treatment plant. Rainwater is temporarily stored in the two retention ponds before being sent to the Siquiares River, which borders the Industrial Park. Domestic effluents and those generated by tenants at the Industrial Park are transported to a wastewater treatment plant (WWTP) with a capacity of 250m³/day to be treated before being discharged into the Siquiares River. The last biannual monitoring report found that the quality of effluents remains within the maximum levels permitted under local regulations and the World Bank's Environmental, Health, and Safety General Guidelines.

4.3.b.ii Solid Waste Management

GDPI only manages waste generated by its administration and waste that is produced during the construction of the new industrial facilities. It is not responsible for waste generated by the companies that operate within the Industrial Park.

The solid waste generated during the construction and operation phases (cardboard, paper, plastic, scrap metal, and wood) is separated and stored in a collection center, before being delivered to a private waste disposal company authorized by the government for final disposal.

The Project does not generate large volumes of hazardous waste. The hazardous waste that is generated will be cloths or containers with solvents, paint, or other chemical substances used during the construction and operation phases. This waste will be separated and stored in bags before being transferred to a warehouse within the Industrial Park and then delivered to an authorized waste management company (hiring process ongoing) for final disposal.

GDPI will update its Solid Waste Management Program to: i) incorporate the requirements of current environmental regulations, IFC performance standards, and the World Bank's Environmental, Health, and Safety General Guidelines; ii) define the initiatives that will be adopted to reduce waste generation, as well as promote reuse and recycling; iii) define operational procedures and controls for temporary storage by waste type; iv) define operational procedures/controls for waste treatment and final disposal by waste type; v) set recycling goals and implement monitoring systems for recycling and waste generation indicators; vi) identify contractors to collect each type of waste; and vii) clearly define deadlines, responsibilities, necessary resources, objectives, and indicators that will be adopted for each of the actions defined in the program. Similarly, the Company will require Project contractors to adopt waste management procedures in line with the Solid Waste Management Program as part of their contracts.

4.4 Community Health, Safety and Security

4.4.a Infrastructure and Equipment Design and Safety

The Industrial Park's fire safety and other safety systems have been designed in accordance with local regulations in Costa Rica, and based on the industry's international best practices (generally aligned with NFPA¹ standards). The Company maintains close contact with the local fire department, which has issued the respective permits for the Industrial Park as a whole and the administrative building, as well as for each of the tenants. The fire protection systems (fire pump, water tank, and underground water outlet) are well maintained and in good operating condition. However, they require some design improvements, such as: (i) the incorporation of three section valves on the underground piping loop; (ii) electronic monitoring of the building's internal fire alarm system, reporting to the main security control room; and (iii) the incorporation of an increased number of fire hose cabinets.

4.4.b Security Personnel

GDPI subcontracts security services from a certified company that is registered with the competent authority. The Company will develop a code of conduct for security personnel at the Industrial Park in order to ensure that they act in accordance with the requirements of PS4 and the United Nations Voluntary Principles on Security and Human Rights. Similarly, it will update its contracts with security companies to ensure that they implement the requirements of the new code of conduct for security personnel.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not require any land acquisition, nor will it involve involuntary resettlement, as it will be developed on land owned by the Company.

4.6 Biodiversity Conservation and Natural Habitats

The industrial facilities included in the Project will be built in a highly modified area, in which there are no species that require special care.

4.7 Indigenous Peoples

The Project will not affect any indigenous peoples.

4.8 Cultural Heritage

There is no apparent indication of any archaeological remains or findings at the Industrial Park site.

However, the Company will develop a chance find procedure, which must be complied with by contractors.

¹ National Fire Protection Association.

5. Local Access of Project Documentation

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

<http://www.thegreenparkfz.com/#green>