

Environmental and Social Review Summary (ESRS) 14971-01 - On Vacation Sustainable Tourism - COLOMBIA

Original language of the document: Spanish
Issuance date: August 2023

1. General Information of the Project and Scope of IDB Invest's Environmental and Social Review

This transaction consists in financing Tour Vacation Hoteles Azul, S.A.S. (the "Company" or "On Vacation"), a Colombian hotel group with over 20 years of experience, focused on domestic tourism demand. It offers affordable vacation packages¹ to explore popular destinations in Colombia (San Andrés, Cartagena and Amazonas) and other Latin American countries (Mexico and Panama). The Company operates 11 hotels² under its On Vacation brand³ and other four hotels under independent brands in Amazonas, La Guajira, Cartagena, San Andrés Island, Santa Marta and the Colombian coffee region.

The funds from this transaction (the "Project") will be used to: (i) finance the Company's growth and expansion plan in La Guajira, Tayrona, San Andrés and Amazonas; (ii) invest in photovoltaic solar power plants at its hotels in Amazonas, La Guajira and San Andrés, and (iii) refinance the existing short-term debt. The Environmental and Social Due Diligence ("ESDD") process included on-site technical visits⁴, interviews and meetings with employees, managers and senior executives of the Company, as well as the review of the environmental, social, and occupational health and safety ("OHS") information provided by the Company, such as: (i) its business strategy; (ii) its policies and procedures related to environmental and social ("E&S") management; (iii) its OHS programs; (iv) its supplier management procedures; and (iv) its solid waste and effluent management processes.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation in accordance with IDB Invest's Environmental and Social Sustainability Policy, since it will likely generate among others, the following impacts and risks: (i) occupational health and safety risk; (ii) generation of noise and pollutant emissions into the atmosphere, mainly due to hotel expansion; (iii) generation of solid (hazardous and non-hazardous) and liquid waste (mainly industrial wastewater); and (iv) use of resources, primarily water and energy. These impacts and risks are estimated 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;

¹ Vacation packages usually include air tickets, land transport, food and beverages, entertainment and hotel accommodation.

² i) San Andrés: Hotel Acanilado de La Tierra, Hotel Blue Cove, Hotel Blue Reef, Hotel Caribbean, Hotel Magic Hill, Hotel Toné, Hotel Tower; ii) Amazonas: Hotel Amazon; iii) La Guajira: Hotel Wayira; iv) Magdalena (Tayrona): Hotel Mendihuaca, and v) Girardot, (Cundinamarca): Hotel Girardot.

³ On Vacation has a broad network of sales agencies and points of sale throughout the country in high-traffic locations, such as shopping malls. It also offers financing plans for booked vacations and saving plans for future vacations, known as "On Ahorra".

⁴ Visits included office premises in Bogotá and hotels in Leticia (Amazonas) and Riohacha (La Guajira), in Colombia.

(iii) PS3: Resource Efficiency and Pollution Prevention; (iv) PS4: Community Health and Safety, and PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

3. Environmental and Social Context

3.1 General characteristics of the Project's site

On Vacation is a Colombian hotel chain with 11 properties⁵ in 5 destinations⁶ across the country. Since it was founded in 2005, it has provided accessible and affordable accommodation in various beach destinations, as well as in culturally or naturally attractive locations (including the Amazon rainforest and La Guajira), offering packages for families and inclusive travel programs.

The Company employs several individuals from indigenous communities (Wayuu, Yaguas and Raizales) within the area of direct influence of some of its hotels, providing them with professional growth opportunities through training and mobility programs in all its hotels and destinations. In addition, On Vacation contracts goods and services from local small- and medium-sized enterprises (SMEs). In particular, its hotel with 258 rooms located in the Amazonas department generates over 200 jobs, 80% of which are held by individuals from local indigenous communities.

Each hotel and expansion project by On Vacation is subject to a due diligence process, in which, with the support and advice of local authorities in each country, the legal requirements for its execution are analyzed, such as: (i) the necessary permits (land use, logging and reforestation, solid waste management, wastewater discharge, among others); (ii) the environmental instruments that need to be developed and submitted to the authorities, including environmental impact assessments (EIA) or environmental management and adequacy programs (EMAP), and (iii) the necessary operating licenses. Regarding this last item, to date the Company obtained and keeps valid licenses and permits required by tourism, health and safety authorities (as applicable) in each department where it operates.

3.2 Contextual risks

The national-level contextual risk analysis, considering the departments of San Andrés, Guajira, Cundinamarca and Amazonas, highlights three high-level components: (i) safety; (ii) social cohesion, and (iii) retaliation. At the subnational level, the additional aspects include: (i) the economy and (ii) natural resources.

The 2021 Citizen Coexistence and Security Survey⁷ ("ECSC", per its Spanish acronym) indicates that, during that year, 8.0% of persons aged 15 and older nationwide suffered at least one crime; 8.7% in main cities and 5.3% in populated and dispersed rural areas. Thus, security situations may pose a risk to the integrity of workers, the Project's assets and tourists.

⁵ Acantilado de la Tierra, Blue Cove, Blue Reef, Caribbean, Magic Hill, Toné, Tower, Amazon, Wayira Beach, Mendihuaca and Girardot Resort.

⁶ Caribbean, San Andrés Island (7 hotels), Amazonia, La Guajira, Tayrona and Girardot.

⁷ *Encuesta de Convivencia y Seguridad Ciudadana ("ECSC") – Periodo de Referencia 2021. DANE, 2023.*

Regarding social cohesion, indicators related to vulnerable groups and communication failures are notorious, particularly in the departments of Guajira and Amazonas. The existence of vulnerable groups may represent a risk related to informal employment, instability or lack of legal protection, including the supply chain, as well as inequalities in access to information.

In San Andrés Island, risk indicators related to water availability and natural disasters stand out. The water supply on the island comes from aquifers that are directly used by the community through drilled wells or water cisterns, and from the aqueduct, which is fed by deep wells (located in rural areas) and coastal wells (located in the north of the island). San Andrés also uses the rainwater collected in roofs and stored in tanks or water cisterns and, more recently, desalinated seawater. However, in general, the available water resource has chemical and microbiological conditions that restrict its use for human consumption, due to factors such as uncontrolled runoff, fecal contamination, illicit discharges, poor solid waste management and saline intrusion, among others⁸.

Finally, in La Guajira, economic risk indicators have been identified that could jeopardize the region's current economic prosperity, literacy, health, and infrastructure situation. However, the Project will positively contribute to mitigating this risk by directly and indirectly generating employment.

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

On Vacation's sustainability management is based on 5 triple-impact (economic, social and environmental) pillars. These pillars are: (i) Business model; (ii) Corporate governance; (iii) Labor practices; (iv) Community practices, and (v) Environmental practices.

The Company has an integrated management system ("IMS") that includes environmental and human capital processes. The latter covers the following subprocesses: (i) compensation; (ii) talent acquisition; (iii) occupational health and safety ("OHS"); (iv) training and development; (v) labor relations; (vi) welfare and social responsibility; (vii) human capital, and (viii) internal communication.

The IMS, which is based on an environmental strategy to reduce, mitigate and offset environmental impacts, sets the requirements of national legal regulations and the implementation of activities, actions and programs that enable the Company to control natural resource consumption and waste generation. From the labor perspective, the strategy includes compliance with labor regulations, from recruitment, selection, hiring and induction processes, including training and welfare programs, OHS and internal communication, to the termination of the employment relationship.

Additionally, the Company is in the process of implementing the ISO 9001⁹ standard for the continuous improvement of its internal processes and to obtain an international quality management certification. It is worth noting that the Company has an online platform with

⁸ Corporación para el Desarrollo Sostenible del Archipiélago de San Andrés, Providencia y Santa Catalina (2024). Four-Year Action Plan (2024-2027).

⁹ International Organization for Standardization (ISO) standard applicable to quality management systems.

restricted access; however, it is accessible to authorized personnel and internal and external auditors¹⁰, where all IMS documents are located.

4.1.b Policy

The IMS includes two policies applicable to the Company as a whole: i) Integral, aimed at establishing and socializing strategic guidelines to continuously implement, develop and improve quality, information security, environmental and sustainable management and OHS, and ii) Ecodesign, aimed at determining the guidelines for the architectural design and construction of On Vacation hotels, to prioritize sustainability and collective benefits, through the systematic integration of eco-design practices, reducing the environmental footprint of projects, positively contributing to the welfare of communities in the regions where they are present, thus fostering social engagement and strengthening collaboration with local suppliers.

Other policies derive from these policies, which are specific to all IMS areas.

4.1.c Identification of risks and impacts

The Company's IMS includes: i) an OHS Hazard Identification and Risk Assessment and Evaluation Procedure; ii) a Hazard Identification and Risk Assessment and Evaluation Matrix, for each of its processes, positions (jobs), zones or locations, and activities, and iii) an Environmental Aspects and Impacts Matrix for each of the workplaces (hotels) where environmental impacts are generated.

4.1.c.i Analysis of alternatives

Considering that the Project will be implemented in the Company's existing facilities, no alternatives other than space distribution and evaluation of various technology options based on their savings and efficiencies (in terms of electricity and water consumption) were considered.

4.1.c.ii Cumulative impact analysis

Due to the characteristics of the Project, it is considered that the incremental impacts generated by other present and future undertakings will be marginal.

4.1.c.iii Gender risks

On Vacation shows its commitment towards gender equality through initiatives such as obtaining certifications and implementing a code of ethics for employees. In this sense, the Company has obtained the Equipares¹¹ and Friendly Biz certifications¹².

¹⁰ "Kawak" platform.

¹¹ The EQUIPARES Employment Equity Certification, developed by the Labor Ministry with the technical support of the United Nations Development Programme (UNDP) is a program for the certification of gender equality management systems that has invited companies and organizations since 2013 to endeavor to close gender gaps at the workplace.

¹² Friendly Biz is a certification provided to companies socially committed to the LGBT+ community, as well as other social minority groups that have a talent, customers and suppliers perspective.

In addition, On Vacation, as part of its IMS, has the following policies, among others: i) Workplace Harassment, Sexual Harassment and Gender Violence, which includes a protocol for prevention and intervention in these cases, as well as in gender-based violence cases (“GBV”), and ii) Declaration of Good Treatment and Zero Discrimination.

However, the Company will (i) develop comprehensive gender policies; (ii) implement professional development programs focused on gender, and (iii) create a recruitment strategy that includes a gender perspective.

4.1.c.iv Climate change exposure

The tourism sector is highly sensitive, both directly and indirectly, to multiple coastal hydrometeorological hazards, such as storms, rising sea levels, rising average temperatures, floods, hurricanes and tsunamis, which can affect infrastructure, disrupting the provision of services and increasing the risk of human losses. In addition, hazards such as heat waves have led to large volumes of algae in coastal regions, with negative effects on tourist arrivals and increased operating costs for the sector. Additionally, rising sea levels cause the loss of beach resources.

The following climatic threats predominate in On Vacation’s hotel locations: (i) on San Andrés Island, wet hydrometeorological events such as hurricanes, rainfall changes and sea level rises; (ii) in La Guajira, in the north of the country, hurricanes, tsunamis and tidal waves (all of them with a moderate level), apart from the current threat of drought and the future increase in heat waves; (iii) Hotel Girardot, located in the department of Cundinamarca, is moderately exposed to the threat of flooding, as it is less than 450 meters away from the Bogotá river, as well as to drought events and an increase in heat waves in the future, and (iv) Hotel Amazon, located on the edge of the Amazon river, is exposed to the threat of flooding in addition to the intensification of drought events and heat waves in the future, the latter being more likely in a scenario of high emissions.

Therefore, the Company will incorporate in its hotel infrastructure expansion plan climate change adaptation criteria that enable the resilience to identified threats.

The Project is aligned with the mitigation goals of the Paris Agreement (“PA”) based on an analysis made in accordance with the IDB Group Paris Alignment Implementation Approach (“PAIA”), as it is included in the universally aligned list of activities that have a positive or immaterial impact on climate. In terms of the adaptation objectives of the PA, the Project is considered to be aligned because: (i) the assessment indicates that the physical climate risk is managed in the context of the Project (mainly through Emergency Response Plans); (ii) the Project is consistent with national adaptation goals, and (iii) the Company will implement climate change adaptation measures for refurbishment and the construction of new buildings.

4.1.d Management programs

The Company maintains, as part of the IMS, procedures, programs, instructions, and formats that allow implementing actions to mitigate the risks and impacts of its activities. It also has natural resource and waste management plans, and a Water Conservation and Efficient Use Program. It also developed a Legal Requirements Matrix that is regularly updated to facilitate the monitoring of applicable legal and regulatory compliance (tourism, environment, ethics and transparency, labor, and OHS).

4.1.e Organizational capacity and competency

On Vacation has a Corporate Affairs and Hotel Operations Management Area, which reports directly to the Company's chairperson. This management area includes the Legal, Human Resources ("HR") and Continuous Improvement, Hotel Operations, Hotel Support and Excellence, Control (Standards and Safety), and Food, Beverages, and Ancillaries directors, as well as a National Quality Chief. The OHS area reports to the HR Department, while the Environmental area reports to the Administrative-Financial Vice-Chairperson. These areas are coordinated in an Environmental Committee, where compliance issues related to hotel infrastructure projects are addressed.

However, the Client will: (i) ensure that the organizational structure and resources allocated to the implementation of the Project's E&S management are strengthened for the Project's implementation, and (ii) define the roles, responsibilities and authority to implement community relations management.

4.1.f Emergency preparedness and response

The Company has a Prevention, Preparedness and Emergency Response Plan ("PPERP"), which, following IMS steps, comprises: (i) for the planning phase, a threat and vulnerability analysis and a risk assessment matrix; (ii) for the action stage, the creation of brigades, coordination with external organizations, contingency plans, Standard Operating Procedures ("SOP"s) for Emergencies, and MEDEVAC¹³; procedures; and (iii) for the verification phase, a work plan to implement the National Drill Planning, the General Inspection of Emergency Management, Roles and Functions in the Drill, and the Drill Report.

4.1.g Monitoring and review

The Company's IMS includes procedures, programs, instructions and formats that enable environmental control and monitoring, as well as the goals set for reducing energy, water and waste. In addition to environmental legal compliance for hotel operations, the Company conducts comprehensive quarterly inspections of the environmental and health aspects that must be met according to applicable legislation (fumigations, waste management, drinking water analysis, operation of wastewater treatment plants ("WWTP's"), and swimming pools, among others).

4.1.h Stakeholder engagement

4.1.h.i Disclosure of information

On Vacation reports its environmental and social results through an Annual Sustainability Report¹⁴ following the basic guidelines of the Global Reporting Initiative¹⁵ ("GRI").

From 2024 onwards, the Company will report its sustainability results to the Colombian Industry and Trade Regulatory Agency, in compliance with the commitments it has voluntarily adhered to by

¹³ They regulate how patients are evacuated from one location to a specialized care facility where they can be received.

¹⁴ <https://www.onvacation.com/Portals/1080/Pdf/on-vacation-informe-de-sostenibilidad-2023-v5.pdf>

¹⁵ <https://www.globalreporting.org/>

becoming part of collective interest and benefit business companies”¹⁶, for the purpose of contributing to a responsible, solidarity-based economy, respectful of communities and the environment.

4.1.h.ii Informed consultation & participation

The Company has identified internal and external stakeholders, mapped them according to their importance on three axes (economic, social, and environmental) and maintains an open and ongoing dialogue with them.

However, as part of those stakeholders’ management, the Company will prepare and adopt a community relations management procedure, including effective strategies for communicating and maintaining good relations with the population in the area of influence of each Project property. This procedure will identify the work team responsible for its implementation and will define the protocols for the following activities: (i) interviews with authorities and representatives of stakeholders; (ii) informative meetings with stakeholders, and (iii) media and social network management.

4.1.i External communication and grievance mechanisms

On Vacation has a mechanism that allows communities, its customers, and the general public to submit their questions or grievances about the services it offers at each destination. The Company has multiple contact channels accessible from its website¹⁷: (i) Petition, Grievance, Claim, Suggestion, or Praise (“PQRSF”, per its acronym in Spanish) Portal; (ii) My Reservation¹⁸; (iii) WhatsApp; (iv) Contact Center. It is worth noting that the PQRSF Tracking and Response Procedure is publicly available on the same website.

However, the Company will improve its existing mechanism to ensure that it: i) is culturally appropriate; ii) is easily accessible to all community segments; iii) is available to each community, and iv) adapts or improves the IMS based on the type of PQRSF in terms of communication and information disclosure (as applicable).

4.2 Labor and working conditions

4.2.a Working conditions and management of worker relationships

On Vacation has approximately 1,600 direct employees distributed across the 11 national hotels where it operates, 55% of whom are women.¹⁹ Out of these, 29 hold strategic (managerial and

¹⁶ These companies (Sociedades BIC, in Spanish) started in Colombia as from June 18, 2018, with Law No. 1901, whereby any existing or future company of any kind may voluntarily adopt the status of a collective interest and benefit business company. These are created as companies of a commercial nature, which voluntarily intend to combine the advantages of their commercial and economic activity with concrete actions to promote the welfare of their workers, contribute to the social equity of the country and contribute to the protection of the environment. <https://www.mincit.gov.co/minindustria/sociedades-bic/ebook-sociedades-bic-02dic.aspx>.

¹⁷ https://servicioalcliente.onvacation.com/?_ga=2.52979690.378299193.1719846296-1739147545.1719527451

¹⁸ A portal created to manage customers’ reservations (<https://mireserva.onvacation.com/#/login>).

¹⁹ Gender distribution at the Company is as follows: women 55%; men 44%; LGBTIQ+ 4%; non-binary 1%.

executive) positions, representing 58% of all management positions²⁰. The Company does not report any gender salary gaps.

The Company's IMS includes the following human capital management processes: i) Compensation; ii) Talent Acquisition; iii) Occupational Safety and Health; iv) Training and Development; v) Worker Relationships; vi) Welfare and Social Responsibility, and vii) Internal Communication.

4.2.a.i Human resources policies and procedures

On Vacation has a Corporate Code of Conduct that establishes the conditions for interaction with internal and external associates and customers, including: (i) corporate values of professionalism, loyalty, leadership, integrity, honesty, teamwork, and ongoing improvement; (ii) principles of ethical behavior based on respect, confidentiality and use of information, and (iii) principles of professional behavior: passion for the customer, effective management, team attitude, reputation care and professional development.

This code also establishes specific guidelines for: (i) staff; (ii) the prevention of money laundering and terrorism financing; (iii) child protection (through policies), and (iv) coexistence with other guests and employees. The body in charge of monitoring this code is the Human Resources Department, which is responsible for disclosing information and training all Company managers, direct and indirect associates, and suppliers on its compliance.

Additionally, in compliance with local labor legislation, the Company has an Internal Work Regulation (IWR), which is updated and disseminated from time to time, and contains rules and conditions related to: (i) work schedules and times and rest periods; (ii) vacations; payment days and locations; (iii) permits, absences and leaves; (iv) the rights and duties of both the Company and workers; (v) the prohibition of child labor, the protection of women, non-discrimination and non-harassment; (vi) safety and health, occupational hazards and medical services; (vii) conduct and disciplinary measures; (viii) risk prevention and, in general, compliance with local and national labor laws, including the standards and principles established by the International Labour Organization (ILO) and other organizations that determine labor standards.

In addition, On Vacation, as part of its IMS, has the following policies in place, among others: i) Workplace Harassment, Sexual Harassment and Gender Violence, which includes a protocol for prevention and intervention in these cases, as well as in gender-based violence cases ("GBV"), and ii) Declaration of Good Treatment and Zero Discrimination.

4.2.a.ii Working conditions and terms of employment

The provisions contained in the Code of Conduct and the IWR comply with both labor and OHS legislation and regulations, as well as with international best practices. These provisions regulate the way and conditions for staff recruitment and hiring; the working days, hours, and breaks; vacations and leaves; flexible work schemes to promote collaboration and productivity; wages and

²⁰ The total number of women by position is as follows: i) 6 managers; ii) 23 executives; iii) 175 administrative employees; iv) 614 operational employees, and v) 68 commercial employees.

benefits; employer and employee rights and obligations; behavior and disciplinary measures; asset security; risk prevention; and employment of workers with disabilities, among other aspects.

To reinforce the knowledge of these working conditions, the Company requires each associate to commit to comply with the Code of Conduct and to report any actual, potential or seemingly possible deviation from the code.

On Vacation offers different benefits and recognitions to all its employees, such as: (i) educational loans; (ii) the Hotel Star program, which recognizes excellent service provided to customers; (iii) bonuses and incentives (for anniversaries, seniority, Christmas, marriage); (iv) airline tickets and reduced rates for the Company's tourist destinations; (v) paternity leave, and (vi) support for housing deed registration.

4.2.a.iii Workers' organizations

The Company, by committing to comply with the applicable local legislation in each country where it operates, recognizes the rights of workers to create labor organizations and be part of them, as well as to respect and assume the responsibilities derived from such legislation, including those contained in international conventions and treaties that countries have signed with the ILO²¹. Additionally, the IWR recognizes the right to free association and collective bargaining.

Moreover, the Company has a Collective Bargaining Agreement (with its non-unionized workers, which allows the adherence of other workers during its effective life) signed in May 2022, effective for 5 years, detailing the benefits for non-unionized employees.

4.2.a.iv Non-discrimination and equal opportunity

Colombia, where the Company operates, is a signatory to various ILO international treaties and conventions related to workers' rights, including Equal Remuneration Convention No. 100, and Discrimination (Employment and Occupation) Convention No. 111. The Company, apart from complying with these provisions, establishes, within its Corporate Code of Conduct, its IWR, and its Workplace Harassment, Sexual Harassment, and Gender Violence policies, and its Declaration of Good Treatment and Zero Discrimination, the respect for diversity, equity and inclusion. These instruments declare a zero-tolerance approach towards discrimination, harassment, abuse, and workplace harassment and reassert the Company's commitment to promoting an environment in which no member, guest, customer, supplier or stakeholder may be excluded or discriminated against for reasons of ethnic or national origin, gender, age, disability, social status, health conditions, religion, immigration status, opinions, sexual preferences, marital status or any other reason against human dignity.

It should be noted that On Vacation has a hiring strategy that guarantees equal opportunities for potential associates, implemented through a Recruitment Procedure. This strategy enables the

²¹ Convention 87 provides for the protection of the right to create and participate freely in trade unions; Convention 98 refers to the right to freedom of association and reaching collective bargaining agreements.

incorporation of people from underrepresented groups (women, people with disabilities, ethnic groups²², veterans, victims of internal conflicts, ex-combatants, young people in their first jobs).

4.2.a.v Retrenchment

On Vacation does not anticipate any retrenchment in the future. However, should this occur, the Company has a clearance procedure that ensures a proper termination of the employment relationship in accordance with local legal provisions.

4.2.a.vi Grievance mechanism

To encourage compliance with ethical standards, as well as to prevent misconduct and irregular situations within the Company, On Vacation has an Ethics Line called “El Diván,” a channel to receive complaints through various means²³. The grievances received are recorded, classified and managed according to the scope of the complaint, which may be anonymous or not. The mechanism, if requested by the complainant, guarantees the protection of their identity and personal data.

Additionally, the Company has a protocol to handle sexual or workplace harassment and gender-based violence, aimed at ensuring and promoting the comprehensive well-being of workers, recognizing the importance of their emotional and mental health in the working environment.

The Labor Coexistence Committee, made up of a group of workers, along with the HR director, the Worker Relationships manager, and the OHS manager, are responsible for executing this protocol through a manual that contains the step-by-step procedure for analyzing and recommending solutions to grievances filed for alleged workplace and sexual harassment, or GBV against women and the LGBTQI+ community²⁴. These grievances are filed through a dedicated email and recorded in a Case Tracking Matrix.

Notwithstanding the above, the Company will update the protocol for this mechanism to: (i) provide a culturally appropriate system that is easily accessible at any time (e.g. an external mailbox or printed form box for filing complaints, claims or inquiries), and (ii) allow the complainant's anonymity.

4.2.b Protecting the workforce

On Vacation, in compliance with all the legal labor obligations applicable in each country where it operates, regulates worker relationships by observing the rights and duties of employers and employees and promotes equality and equity in the enjoyment of human, civil, political, economic, social, and cultural rights between women and men.

²² Afro 1%, Bora 0.12%, Huitoto 0.53%, Kankuano 0.18%, Kocama 4%, Los Pastos 0.06%, Macuna 0.18%, Raizal 9.54%, Tikuna 4.65% , Victims' Unit 0.06% , Wayúu 9.72%, Wuiwa 0.06%, Yagua 0.06% and Zenú 0.06%.

²³ (i) Email: eldivan@onvacation.com; (ii) WhatsApp: 3176548711; (iii) Online complaint form: <https://www.onvacation.com/linea-etica>, and (iv) Code (QR): shown in information announcements of the ethics line in all of the Company's workplaces and head office.

²⁴ Acronym for the lesbian, gay, bisexual, transgender, intersexual and queer community. The + symbol is usually added at the end to include all groups not represented in the previous acronyms.

In addition, the Company maintains, promotes and discloses²⁵ a Child Protection Policy to prevent and avoid the use and sexual exploitation of children and adolescents in tourism activities, in accordance with current Colombian legislation.

4.2.c Occupational health and safety

On Vacation, in compliance with labor and OHS laws, the IWR, and the Industrial Hygiene and Safety Regulation, has OHS programs and instructions and joint OHS committees. These contain the guidelines and behaviors to be followed in each establishment to: (i) protect the physical integrity of its associates; (ii) prevent injuries and health damages; (iii) avoid affecting process security by implementing and executing procedures related to industrial occupational safety and health, and (iv) identify hazards, assess risks and establish preventive, corrective, control or transfer measures. These conditions are reinforced through the clauses or sections under safety, health and environmental standards, and the contracts signed with contractors and subcontractors.

Additionally, for all risk works defined in OHS diagnoses, the Company requires its contractors to provide a certificate of occupational skills and copies of the work permits duly authorized by the Construction area.

4.2.d Provisions for people with disabilities

The Company does not discriminate against workers based on their disability and complies with the regulations for the inclusion of such persons in Colombia.

4.2.e Workers engaged by third parties

In line with the stipulations in its Code of Ethics and Conduct and its IWR, all of the Company's labor standards, policies and procedures apply equally to its associates, customers, suppliers, contractors and stakeholders. Workers, both hired by the Company and by third parties, can remain as long as they respect the above and the local applicable laws and regulations. These measures are reinforced in work contracts signed with contracting and subcontracting companies, where compliance with all applicable and current labor, environmental and OHS laws and regulations in Colombia is established.

4.2.f Supply chain

The Company has a Procurement and Supply Manual that includes procurement policies and processes for suppliers' registration, assessment, selection, inspection and approval, binding them to comply with the Corporate Code of Conduct. However, to address the supply chain, mainly composed of suppliers of goods and services, the Company will update this manual to: (i) regulate the acquisition of goods (consumer products, materials and equipment) and the contracting of services, and (ii) demand suppliers to comply with applicable labor requirements (specifically the prohibition of child and forced labor, and the exclusion from their business activities of any product or service using child and forced labor), environmental and OHS requirements.

²⁵ <https://www.onvacation.com/politicas-de-proteccion-de-menores>

Furthermore, the Company will update the selection, assessment and reassessment procedures based on the environmental, labor and OHS criteria established in relevant legislation.

On Vacation will hire third parties to install photovoltaic solar energy generation systems and is currently evaluating proposals from three to five contractors for each hotel. The average capacity of the proposed systems is 1,105 KW for Amazon; 1,675 KW for Wayira and 764 KW for Cove. In line with this, On Vacation will not have any contractual relationship with the solar modules manufacturer; however, once the manufacturers are known, IDB Invest will conduct due diligence procedures on the selected manufacturers and include a no-objection clause in this regard in the loan agreement.

4.3 Resource efficiency and pollution prevention

4.3.a Resource efficiency

4.3.a.i Greenhouse gases

As part of its efforts to improve energy efficiency through the promotion, development and use of renewable energy sources in its operations, the implementation of the Project will contribute to replace part of the Company's fossil fuel-based energy consumption.

At the construction sites and material storage and workshop areas (within an approximate radius of 2 km) for the implementation of the Project, greenhouse gas ("GHG") emissions are expected to be below 25,000 tons of CO₂ equivalent annually ("tCO₂eq/year").

However, On Vacation will: (i) conduct an annual GHG emissions inventory count for each of its properties, quantifying both direct emissions from fuel consumption (scope 1) and indirect emissions from electricity consumption (scope 2); (ii) annually report the variation in results compared to the baseline year (2024) and explain the causes of such variation, and (iii) continue evaluating the implementation of additional reduction measures.

4.3.a.ii Water consumption

On Vacation maintains sustainable water consumption practices to reduce and enhance its use. These include the Water Efficient Use and Saving Program ("PUEEA", per its acronym in Spanish), whose implementation has significantly reduced daily consumption through measures such as: (i) replacing obsolete or damaged devices with state-of-the-art technology to reduce consumption; (ii) implementing leak detection and repair programs²⁶; (iii) reusing water in activities without human contact, and (iv) conducting water use awareness campaigns. The result obtained in 2023 in three of its hotels²⁷ was a total saving of 38.1%, equivalent to 31,226 m³ of water.

Similarly, at Hotel Blue Cove in San Andrés, the Company has a desalination plant that has been operating since 2023, allowing a 32.8% reduction in monthly water consumption (from 9,457 m³ to 6,360 m³).

²⁶ Recyclable or dynamic construction items to be reintroduced in a circular economy cycle, energy-saving toilets, faucets for sinks and showers.

²⁷ Savings: Acantilado, 28%; Blue Cove, 25%; and Tower, 65%.

During the Project implementation phase, water consumption will remain within estimated historical averages, according to the volumes authorized in groundwater concessions, surface water withdrawals, and drinking water supply agreements (through the municipal public supply system), granted by the competent authorities in the locations where it operates.

For the operation and maintenance (“O&M”) phase, the increase in water consumption will be related to new works and activities of the Project and must comply with existing permits, contracts and concessions or otherwise the latter should be modified or adjusted to the new operating conditions.

4.3.a.iii Energy

The Company implements several initiatives to reduce electric power consumption, such as: (i) installing LED lighting; (ii) installing and replacing equipment with other energy-efficient units; (iii) turning off unused equipment; (iv) obtaining the RETIE²⁸ certification for all electrical connections to avoid energy losses and overvoltage; (v) performing preventive maintenance on equipment to enhance performance, and (vi) maximizing the use of natural light and ventilation in as many areas as possible. The results obtained in 2023 in six of its hotels²⁹ led to an annual total energy consumption reduction of 30%, equivalent to nearly 423,000 Kwh.

As part of the use of funds from this transaction, On Vacation will develop a solar photovoltaic energy self-generation project of approximately 12,604 kWh/day at the Amazon, Wayira and Cove hotels. This solution intends to replace 85%, 77% and 32% of the energy currently consumed from the public grid, respectively.

The energy required for the implementation of the other Project³⁰ components will be supplied through the public grid under a service contract with the authorized distributor. It is estimated that the Project will not generate any significant increase in average energy consumption during the construction and O&M phases.

4.3.b Pollution prevention

4.3.b.i Wastes

Currently, domestic liquid effluents (black and grey water) are treated by the Company at wastewater treatment plants (“WWTPs”) located at the Amazon, Wayira and Cove hotels³¹, or managed through public municipal sewerage networks (where available). In 2023, treated water met all the parameters required by current regulations and allowed using effluents to irrigate areas owned by the Company and intended for reforestation and greening, such as an area adjacent to Hotel Wayira.

²⁸ The Technical Regulations for Electrical Installations in Colombia (RETIE, in Spanish) sets forth all the requirements that should be met by products and electrical installations to ensure that they are safe for people, animals and the environment.

²⁹ Savings were as follows: 8.0% in Wayira; 1.7% in Amazon; 6.2% in Girardot; 0.4% in Blue Toné; 7.6% in Tower and 6.2% in Blue Cove.

³⁰ Expansion in Hotel Wayira; refurbishment in Hotel Mendiguaca; and room renewal in Cove, Tower and ADZ hotels.

³¹ The discharges of wastewater treated in 2023 at the abovementioned hotels included: i) Amazon (Amazonas), 43,200 m³; ii) Cove (San Andrés), 46,800 m³; and iii) Wayira (La Guajira), 31,104 m³.

The Company currently separates, classifies and temporarily stores non-hazardous solid waste produced at its facilities and delivers it to authorized external managers, who collect, transport and either recycle or carry it to authorized landfills³².

On Vacation has a waste management process that promotes waste reduction, reuse and recycling campaigns, as well as initiatives to classify and record waste (by weight or volume) into recoverable (recyclable) and disposable (for final disposal in landfills) categories. For example, used oil is collected and stored in sealed containers before it is delivered to authorized managers for recycling or final disposal. In 2023, of used oil amounted to 7,794 kg³³.

The Company conducts training campaigns for its associates and awareness campaigns for its suppliers on issues related to the use of single-use waste and the comprehensive management of usable waste (cardboard, aluminum, plastic, scrap metal and paper). However, the Company will implement circular practices for the use of organic solid waste or “food waste” in hotels where it is viable for purposes such as composting.

4.3.b.ii Hazardous materials management

The Project will not generate a significant volume of hazardous waste. However, any hazardous waste produced (such as materials contaminated with or empty containers of paint, solvents, used oils, etc.) will be characterized, managed, temporarily stored and removed for final disposal by a service provider that is duly authorized by the environmental authority and in compliance with current regulations.

However, as part of its IMS documents, the Company will update its Comprehensive Chemical Risk Program to include processes for the integrated management of hazardous waste and procedures to: (i) identify, control, minimize, value and manage hazardous materials in an integral manner; (ii) promote a culture of reduction, eliminating the use of such materials or replacing them with non-hazardous products; (iii) detail instructions to determine measures for the internal collection and transportation to a temporary storage area for each type of hazardous or infectious biological material (in the case of those from medical services or generated by medical emergencies); (iv) establish the requirements that an authorized external provider should meet to ensure the final elimination or disposal in controlled confinements, and (v) determine emergency response protocols to address incidents.

4.3.b.iii Management and use of pesticides

On Vacation has an Integrated Pest Management Manual that describes the procedures for diagnosing the initial conditions of affected areas and the treatment, monitoring, and preventive and corrective control measures against the occurrence of pests (primarily crawling and flying insects and crawling mammals).

³² In 2023, 101 kg of unusable waste were sent for final disposal.

³³ A total of 4,783 kg in Wayira; 2,770 kg in San Andrés; 266 kg in Amazonas and 245 kg in Girardot hotel operations.

Nevertheless, the Company will update this manual and related documents to: (i) verify that products listed in internationally prohibited pesticide lists are not used intentionally³⁴; (ii) ensure that the selected pesticide is of low toxicity for human beings, have proven efficacy against the targeted species and minimal effects on other species and the environment, and (iii) verify that the compound comes in safe containers, is clearly labeled, and is manufactured by an entity with a valid authorization granted by competent regulatory bodies.

4.4 Community health, safety and security

4.4.a Community health, safety and security

On Vacation operates its hotels using the best applicable environmental and OHS practices. The new works of the Project (existing building refurbishment, room renewal, construction of new facilities³⁵ and installation of photovoltaic solar panels) will be designed and constructed by competent and well-known contractors with experience in constructing these types of works, following the Company's Construction Manual, international best practices and in compliance with applicable national construction and safety guidelines, standards and codes.

However, specific clauses will be included in the work contracts for the refurbishment of Project properties to address all types of incidents and to respond in the event of any damage caused to state property, private property or community property in general, which may arise within the Project's area of influence.

The Company has a Prevention, Preparedness and Emergency Response Plan ("PPERP") applicable to each one of its hotels. However, a specific section will be included for community protection, where, through specialized emergency control staff (firefighting, rescue and evacuation brigades), protocols will be established for coordination with external authorities to address leaks, spills, fires or explosions exceeding the Company's response capacity.

Similarly, the Company, in accordance with its communication procedures and through the hotel managers, will inform communities about the PPERP, the potential risks in their plants, the response and fighting devices, alarm and communication systems, evacuation routes and the internal and external drill programs.

4.4.a.i Infrastructure and equipment design and safety

The Company has guidelines (summarized in the Ecodesign Policy) for the architectural design and construction of its hotels, prioritizing sustainability and collective benefit by systematically integrating ecodesign practices, significantly reducing the environmental footprint of projects, and positively contributing to the well-being of local communities in the departments of La Guajira, Leticia and San Andrés, and any other region intended to be incorporated.

³⁴ Products included in "Ia" (extremely hazardous) and "Ib" (highly hazardous) categories of the recommended classification of pesticides according to their hazardousness by the World Health Organization (WHO).

³⁵ For the expansion of Hotel Wayira.

However, in accordance with the Fire Safety and Protection Regulations and local and national Construction Codes, the design of the Life and Fire Safety Systems (“L&FS”) for the new Project facilities will adopt the international standards of the National Fire Protection Association (“NFPA”) and the fire safety and prevention requirements of the International Finance Corporation’s General Environmental, Health, and Safety Guidelines.

In this regard, after the refurbishment but before the operation and occupancy of the new Project properties, the Company will hire competent professionals³⁶ in the L&FS area to certify that: (i) all auxiliary facilities and Project accommodation establishments, whether completed or under refurbishment, were constructed according to the approved L&FS designs; (ii) all equipment was installed according to the L&FS design, and (iii) all L&FS equipment units were tested following international requirements.

4.4.a.ii Emergency preparedness and response

4.4.b Security personnel

Depending on the location and contextual risks within the area of influence of each Project property, On Vacation considers the use of security and surveillance services provided by a specialized company (outsourced service), duly registered and governed by domestic law. However, the Company will ensure that the relevant service contracts include provisions that allow it to: (i) conduct reasonable investigations to ensure that security personnel have no criminal records or prior involvement in cases of abuse; (ii) verify the details of the necessary training on the use of force; (iii) confirm the restrictions and procedures used if security personnel are armed, and (iv) identify the details of environmental training and social awareness, including human rights topics.

4.5 Land acquisition and involuntary resettlement

The Project will be developed in properties that have been previously negotiated and legally transferred to the Company for occupancy; therefore, it does not involve any type of involuntary physical or economic displacement.

4.6 Biodiversity conservation and natural habitats

4.6.a General

Several On Vacation hotels³⁷ are located in or near legally protected areas and important biodiversity areas (“IBA”).

³⁶ Authorities including firefighters and civil protection personnel (as per the regulations issued by each country) or suitable staff authorized by insurance companies.

³⁷ All the hotels located in San Andrés Island; Hotel Wayira in La Guajira; and Hotel Amazon in Amazonia.

4.6.b Protection and conservation of biodiversity

The Project will be developed in previously intervened properties with modified vegetation; therefore, no significant impact on biodiversity is expected.

4.6.b.i Legally protected areas and internationally recognized areas

The hotels in San Andrés Island are within the Seaflower Biosphere Reserve (“IBA”)³⁸, which encompasses the entire Department of the Archipelago of San Andrés, Providencia and Santa Catalina. The reserve, with a total area of 180,000 km² (only 57 km² of which is land), contains representative ecosystems of tropical island regions, especially extensive coral reefs, seagrass beds, mangroves, beaches, open sea and tropical dry forests, which host areas of high endemism. The marine portion of the biosphere reserve is recognized as a marine protected area, a national integrated management district.

The Guajira coastal wetlands complex (IBA)³⁹, where Hotel Wayira is located, is a corridor approximately 211 km long and 15 km wide along the coast, where marine habitats, wetlands, marshes, swamps, peat bogs, quagmires and other bodies of permanent or seasonal, stagnant or poorly flowing fresh or brackish water are located. A total of 145 bird species have been recorded in the area, most of which are aquatic.

Within the environment of Hotel Wayira is the Ranchería river delta protected area⁴⁰, created to prioritize environmental recovery activities, develop environmental education and ethno-tourism programs, recover and support the cultural and archeological heritage, and carry out ecological restoration, among others.

Finally, Hotel Amazon is located in Los Lagos de Yahuaracaca (“IBA”)⁴¹ approximately 2 km northeast of the municipal capital, Leticia, about 6 km from Ronda Island. The lakes are natural bodies of fluvial water, surrounded by riparian succession and flooded forest vegetation. The island has mature flooded forests, succession forests, swamps, extensive internal lakes, and areas of farms and meadows along the shores. Locally, there are subsistence crops and livestock, and there is selective logging and artisanal fishing. The area is home to birds specific to the flooded forest and riparian succession of the Amazon River.

4.6.b.ii Invasive alien species

On Vacation will adopt measures to protect these ecosystems and reduce or minimize the footprint caused, directly or indirectly, by its supply chain, such as not using invasive exotic species when revegetating areas for landscaping.

³⁸ It was declared Biosphere Reserve in 2000 by the UNESCO “Man and Biosphere” program <https://seaflowerfoundation.org/reserva-de-la-biosfera.html>

³⁹ BirdLife International (2024) Important Bird Area factsheet: Coastal wetlands complex in La Guajira. <https://datazone.birdlife.org/site/factsheet/complejo-de-humedales-costeros-de-la-guajira-iba-colombia-on-17/06/2024>.

⁴⁰ The Integrated Management Regional District was designated through Agreement No. 015 of 2014 of Corpoguajira.

⁴¹ BirdLife International (2024) Important Bird Area factsheet: Yahuaracaca and Ronda Island lakes. Downloaded from <https://datazone.birdlife.org/site/factsheet/lagos-de-yahuaracaca-e-isla-ronda-iba-colombia-on-17/06/2024>.

4.7 Indigenous peoples

Although some of the Project's facilities are located near indigenous communities, the intended activities will take place on previously acquired properties, and their implementation and subsequent operation will not cause any impact on the lands or resources of indigenous peoples.

Hotel Wayira is located within an area of 1,067,505.45 hectares ("ha"), which is the main shelter of the Wayuu people, known as Alta and Media Guajira.⁴² The current issues faced by this community include: (i) forced displacement; (ii) poverty; (iii) weakening of social organization, and (iv) inadequate health conditions.

About 3 km from Hotel Amazon, there are territories associated with the Ticuna and Cocama ethnic groups. No indigenous or Afro-descendant communities have been identified within a 2 km buffer of the Girardot and San Andrés Island hotels.

4.8 Cultural heritage

The Project will be developed in previously intervened properties and, in general, without the need of works requiring significant excavations or earthworks. Therefore, no impacts on cultural heritage are anticipated.

5. Local Access of Project Documentation

The documentation related to the Company may be accessed at the following link: <https://www.onvacation.com/mas/sobre-nosotros>

⁴² Ministry of Culture. Characterization of indigenous peoples in Colombia – Wayúu, People of the sun, sand and wind. <https://www.mincultura.gov.co/prensa/noticias/Documents/Poblaciones/PUEBLO%20WAY%C3%9AU.pdf>