Environmental and Social Review Summary (ESRS)
San Cristobal Academic and Sports Campus - GUATEMALA

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

This transaction consists of a loan in favor of Corporación Educativa Montesquieu ("CEM" or the "Company") to finance the construction of the San Cristóbal Educational and Sports Complex, which will be located in San Cristóbal City, Municipality of Mixco zone 8 in the Department of Guatemala ("the Project").

The Project's environmental and social due diligence ("ESDD") included: i) a review of the technical, environmental, health and safety, and social documentation provided by CEM; ii) a series of video calls with the Company's sustainability team; and iii) two site visits conducted by a consulting firm hired by IDB Invest.

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 the following environmental and social ("E&S") impacts and risks among others: (i) risks associated with workers' employment conditions, occupational health and safety ("OHS"); (ii) the generation of solid and liquid waste; (iii) the generation of noise, vibration and potential air quality disruption as a result of construction activities; (v) groundwater abstraction; (iv) life & fire safety risks during the Project's operation; and (vi) potential impacts on communities as a result of the influx of foreign personnel and increased traffic. These impacts are deeming to be of medium intensity and can be managed through available measures within the scope of the proposed transaction.

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 San Cristobal Academic and Sports Campus will be located on two plots of land that will be granted in usufruct (for 50 years) by the Guatemalan Olympic Committee ("GOC") and the Guatemalan Autonomous Sports Confederation ("GASC"). For a time, these plots of land were used by the Mixco Police to store impounded vehicles, but are now essentially abandoned. Since then, a couple of people have trespassed on the properties in question to extract the scrap metal left behind. This has prompted CEM to implement measures to control access to the Project site. The Company will extract the remaining scrap (estimated at 15.75 metric tons) before starting construction activities.

The land, with a total area of 27 hectares, is located in a pyroclastic flow plateau (in the upper parts) with steep slopes (in the lower parts), with a highly rugged topography, which is why the landslide hazard is high. Most of it is covered by natural grasses, followed by low shrub vegetation (scrub or "guamil") and, finally, by mixed forest, especially in the ravines around the site. The direct area of direct ("AoI") mainly consists of residential complexes and condominiums that comprise the City of San Cristóbal.

The Project's construction phase, which will take an estimated 21 months, will include: i) scrap removal, earthworks, and slope stabilization; ii) the demolition of existing abandoned infrastructure; iii) the construction of four university buildings and sports areas with a total construction area of 99,000 m^2; and iv) the construction of a wastewater treatment plant ("WWTP").

3.2 Contextual Risks

Water abstraction in Guatemala is currently unregulated. The increase in population, as well as the lack of regulations (municipal development plans for water resource management, water use regulations, etc.) and their deficiencies and poor implementation are negatively affecting the availability and quality of the water resource. Some visible impacts include overexploitation of the aquifers that supply the municipality of Mixco and the pollution of almost all water bodies. According to the hydrogeological study conducted for the Project, in some sectors of Mixco the water table has decreased by up to 400 meters since 1978. Such a decline risks the viability of wells drilled almost to this level.

There is heavy vehicular traffic between Mixco and Guatemala by more than 3,500 public transportation units and more than 97,000 private vehicles that travel between the two municipalities.[1] In 2020, road violence in Mixco was second only to the municipality of Guatemala, with 351 traffic accidents, 34 deaths, and 363 injuries.[2]

Violence and insecurity are major problems in Guatemala. They are present in different intensities by state and social group. In the past, human rights violations have occurred in Mixco in the form of murders, kidnappings, and allegations of abuse by private security forces in Guatemala.[3]

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[1] Municipal Mayor's Office of Guatemala and Municipal Mayor's Office of Mixco (2019). Feasibility study for public transportation by aerial cable in Guatemala City – AeroMetro project profile. Retrieved from: https://www.guatecompras.gt/concursos/files/2195/10972013%40Anexo%20XIII%20AEROMETRO%20Factibilidad%20y%20Perfil%20Proyecto%202017%20actualizado2019_1.pdf

[2] Government of Guatemala (2020). Guatemalan Departmental Observatory of Citizen Security and Prevention of Violence and Crime. Retrieved from: http://upcv.gob.gt/wp-content/uploads/2020/12/12Observatorios_DICIEMBRE_2020_COMPLETO.pdf

[3] IACHR (2015). Situation of Human Rights in Guatemala: Diversity, Inequality and Exclusion. Retrieved from: http://www.oas.org/es/cidh/informes/pdfs/guatemala2016.pdf

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Assessment and Management System

The Company is in the process of developing an integrated environmental, occupational health, safety, and social management system ("ESMS"), which will consist of a series of policies, procedures, and instructions to identify, manage, and monitor E&S aspects during the construction stage and, after being updated, for the Project's operation stage.

4.1.b Policy

CEM has implemented an Overarching Policy that defines its environmental and social objectives and its commitment to abiding by applicable laws and regulations, as well as international best practices.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and Indirect Impacts and Risks

The Project's environmental and social risks and impacts are adequately reflected in the Environmental and Social Impact Assessment ("ESIA"), which is in the process of being approved by the Ministry of Environment and Natural Resources ("MARN").

Although the ESIA identifies the risk of accidents and vehicular congestion, CEM has yet to develop a Road Impact Study ("RIS") quantifying the direct and indirect impacts on roads, infrastructure, neighboring residents, and access road users as a result of the increase in vehicular traffic that will occur during the Project's construction and operation.

CEM has yet to develop a procedure to systematically identify, characterize, and assess the E&S and OHS risks and impacts generated for the different phases of the Project.

4.1.c.ii Analysis of Alternatives

The Company conducted an alternatives analysis for the design of the Project, which considered two technical designs. The selected option was chosen after considering two aspects: i) the risk of landslides; and ii) an analysis of the vehicular flow that would occur during the construction stage.

4.1.c.iii Cumulative Impact Analysis

The cumulative impact assessment ("CIA") carried out by CEM started by identifying the spatial boundary of the Project's AoI, and a temporal scope of 5 years from the start of construction. With this information, and considering that the Project site is located at the end of a main avenue, the CIA considers a portfolio of 180 current, under construction, and future projects intersecting the designated spatial boundary.

The CIA identifies the Valued Environmental and Social Components ("VECs"), analyzing the environmental parameters used in the Project ESIAs and identifying those most likely to be affected by the projects resulting from the above-described process. The selected E&S components (which are transformed into VECs) are the following: i) air; ii) noise and vibration; iii) water resources; and iv) community health, safety, and security. The CIA assesses cumulative impacts using a matrix methodology that rates each impact according to its magnitude, significance, duration, and reversibility.

The assessment identified high priority cumulative impacts related to community health, safety, and security (influx of foreign personnel and increased vehicular traffic) and medium priority impacts on water resources. It also proposes a series of measures to manage these impacts. CEM will incorporate such recommendations of the CIA into related ESMS plans and procedures.

4.1.c.iv Gender Risks

The social baseline conducted as part of the ESIA identifies that, in the social context of the Municipality of Mixco, women are still considered, in some cases, inferior to men and that violence is frequently used to ensure this distinction. Cases of human trafficking and commercial sexual exploitation have been reported in the past, particularly in Balcones de San Cristóbal in zone 8, where actions to close down brothels have been reported.[4]

The Project's activities in themselves will not lead to an increase in gender-based violence or brothel activities, but given the above-mentioned socio-cultural context, it is likely that these two situations will increase, especially during the construction stage of the Project, due to the influx of personnel from other AoI localities.

4.1.c.v Climate Change Exposure

The ESIA includes a Disaster and Climate Change Risk Assessment ("DCRA"). Temperature and precipitation models for Guatemala predict an increase in the water deficit towards the end of the century in dry regions of the country, which, together with the overexploitation of groundwater in Mixco, would have a direct impact on water availability for the Project. This risk is being addressed by CEM through the construction of a rainwater harvesting system, the installation of efficient equipment (toilets, faucets), and the reuse of treated water from the WWTP.

The DCRA has identified landslides, earthquakes, and floods as the main Project hazards. Hence, its final design was adjusted to make it less vulnerable to them.

4.1.d Management Programs

The Company has generated the management plans and controls necessary to adequately address the Project's E&S risks and impacts. Nevertheless, as part of its ESMS, CEM will prepare and develop all the procedures described in the ESIA for each E&S impact identified. These procedures will

[4] ODHAG (2020). Human trafficking and its impact on children and adolescents in Guatemala. Retrieved from: http://www.odhag.org.gt/wordpress/wp-content/uploads/2021/01/InformeTratadePersonas2020.pdf

include the mitigation measures to be adopted, performance indicators, and monitoring and reporting requirements, as well as their implementation schedule and the persons responsible for their enforcement.

Contractors and subcontractors working on the Project will be required to comply with CEM's ESMS. Contractors will be supervised under the Contractor Management and Assurance Plan ("CMAP"), which will be a key component of the ESMS.

4.1.e Organizational Capacity and Competency

CEM has begun to set up the Project team. To this end, it has hired an Environmental, Health, and Safety ("EHS") Manager, who will be responsible for the development and implementation of the ESMS, and the identification of the EHS workforce required during the Project's construction and operation phases. The Company will hire an industrial safety professional to oversee contractors' OHS managers.

4.1.f Emergency Preparedness and Response

The Disaster Risk Management Plan incorporated in the ESIA lists the actions to be taken during and after different emergency scenarios, such as earthquakes, landslides, hurricanes, floods, and chemical spills. Nevertheless, CEM will develop and implement an Emergency Preparedness and Response Plan ("EPRP") for all Project phases, incorporating the emergency scenarios listed in the ESIA. The Company will also develop and implement training plans and drills to ensure that all students and employees are aware of evacuation routes, emergency procedures, and contingency plans.

4.1.g Monitoring and Review

CEM will develop all the monitoring plans referred to in the ESIAs as part of its ESMS and for the Project's construction and operation phases. These plans include aspects such as: accident records, internal and external grievance management, waste and effluent management, emissions, noise during the construction stage, water consumption and water table records, and biodiversity conservation, among others.

4.1.h Stakeholder Engagement

The Stakeholder Engagement Plan ("SEP") identifies stakeholders that could be directly or indirectly affected by the development of the Project and establishes the mechanisms and a timeline for interaction with these parties. CEM's Social Manager is responsible for implementing, controlling, and monitoring the SEP.

4.1.h.i Disclosure of Information

The ESIA and the SEP establish the activities to be undertaken by the Company to provide stakeholders with relevant information on the Project, including the creation of an information

office during the construction stage, the implementation of an external grievance mechanism, and the organization of regular meetings for socialization and participation.

Guatemala does not regulate public participation in development projects. Nevertheless, in October 2022, CEM held a public consultation event to socialize the Project's goals, the results of the baseline study, risk and impact identification, and the respective control and management measures to be implemented through the plans developed. The announcement for the public consultation was made 15 days before the date of the event through mass media (radio, newspapers, print and electronic media) as well as on social media and on CEM's web pages.

4.1.i External Communication and Grievance Mechanisms

The ESIA contemplates the creation of a mechanism for external stakeholders to submit their Queries, Complaints, Claims and Grievances (“QCCG") in person (complaints box located at the Project entrance) or anonymously (via telephone or mail) without any reprisal. The external Grievance Mechanism will be brought to the attention of stakeholders at the public consultation stage so as to obtain feedback on its structure and make it culturally appropriate and inclusive.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

CEM currently has three employees. The workforce required during the Project’s implementation is expected to reach approximately 300 direct and indirect workers at the peak of construction. Approximately 300 permanent positions (teaching and administrative staff) will be created for the operation phase. To fill these vacancies, the Company plans to use spiral recruitment, which consists of prioritizing the local labor force, provided that it satisfies the profiles, and then moving on to the municipal and then the regional level.

4.2.a.i Human Resources Policies and Procedures

The Labor Management Plan developed as part of the ESIA includes the Company's commitments concerning its human resources, and guidelines related to personnel management. Nevertheless, CEM has yet to develop and implement a HR policy and procedures that comply with Guatemalan labor laws and regulations and are consistent with international requirements.

4.2.a.ii Working Conditions and Terms of Employment

CEM will hire all of its direct employees on a permanent or temporary basis as required by Guatemalan law. Through the CMAP, the Company will ensure that workers engaged by contractors also have the employment contracts and working conditions required by law.

4.2.a.iii Workers’ Organizations

Labor laws in Guatemala recognize the rights of workers to assemble, form and join workers' organizations, and to bargain collectively. Additionally, the Company's Labor Management Plan

states its commitment to allowing the workforce to express and protect their rights with respect to labor and employment conditions.

4.2.a.iv Non-discrimination and Equal Opportunity

CEM does not discriminate on the basis of race, creed, religion, color, origin, nationality, ancestry, physical disability, mental condition, medical condition, marital status, pregnancy status, sex, gender, age, sexual orientation, political affiliation, or military status. Its Human Resources Policy and Procedures will be developed to ensure non-discrimination and equal opportunities for its direct and indirect employees.

4.2.a.v Retrenchment

Although the Project does not foresee large-scale layoffs, the Labor Management Plan defines the guidelines to be followed in the event that collective layoffs are necessary.

4.2.a.vi Grievance Mechanism

The Company plans to implement a grievance mechanism so that direct and indirect employees can express any type of problem, concern, or complaint related to their work activities or work environment. Thus, workers will be able to present their complaints verbally or anonymously through the complaint boxes that will be installed in the vicinity of the Project. The mechanism will guarantee absolute confidentiality and protect workers from any type of retaliation.

4.2.b Protecting the Workforce

The Project will not employ personnel under 18 years of age and will reject any attempt at forced labor.

4.2.c Occupational Health and Safety

The Project's Occupational Health and Safety Plan describes the OHS guidelines that site contractors must apply in the planning, development, and implementation of their activities as a prerequisite for starting work. These guidelines require contractors to: i) have qualified personnel; ii) prepare OHS risk matrices and written procedures to mitigate them; and iii) train their staff. According to the OHS Plan, CEM will conduct daily inspections to ensure that all contractors are properly managing OHS issues.

The development of risk matrices and OHS plans and procedures for the operation phase will be completed prior to the commissioning of the Project.

4.2.d Provisions for People with Disabilities

The Company does not discriminate against employees on the basis of disability. The Project's facilities will be adapted for these people. In addition, for the purposes of emergency drills and evacuations, the EPRP will consider the needs of people with difficulty moving quickly, including

those with reduced mobility due to illness or accident, persons with hearing impairment, and pregnant women.

4.2.e Workers Engaged by Third Parties

CEM will ensure that its ESMS policies and procedures are extended to cover the labor practices of contractors and subcontractors. The Company will also monitor its contractors' performance through the assurance plan defined in the CMAP and will ensure that labor conditions comply with contractual requirements, Guatemalan regulations, and international requirements. Monitoring will include regular scheduled and unscheduled audits, review of internal contractor monitoring reports and documentation, as well as review of complaints registered by workers engaged by third parties.

4.2.f Supply Chain

The Supplier Management Plan stipulates the guidelines to be followed to identify and evaluate the supply chain that will be used in the Project's construction and operation phase, with the aim of preventing risks associated with forced labor, child labor, and OHS. The plan includes the evaluation of supply chain E&S risks through questionnaires to be completed by suppliers and regular monitoring to update the risk level.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

Electricity will be supplied by Guatemala's National Interconnected System. The Project includes the installation of intelligent lighting in corridors, bathrooms, and warehouses in order to minimize electricity consumption. The estimated energy consumption for the Project's operation and maintenance phase is 907.2 GWh per year.

4.3.a.i Greenhouse Gases

Activities related to the construction of the Project will generate greenhouse gas (“GHG”) emissions mainly associated with the use of vehicles and machinery. These emissions are expected to be of medium intensity since they will be limited to the Project's construction stage. Air emissions during the operating phase are mainly generated by: i) the entry and exit of visitors and light transport vehicles, and ii) fugitive emissions from air conditioning systems.

The Company will conduct an annual GHG inventory covering Scopes 1 and 2 as prescribed in the GHG protocol of the World Resources Institute and the World Business Council for Sustainable Development.

4.3.a.ii Water Consumption

The water supply for human consumption and for the construction works will be provided by the potable water system of the Municipality of Mixco. Due to the limitations of the Municipality's

physical infrastructure, the Project's water demand will be supplemented by drilling a mechanical well in the site area. The well water will be made potable for human consumption.

The Project includes a series of measures to reduce groundwater demand, such as: i) the installation of efficient water consumption systems throughout the campus; ii) rainwater harvesting and storage in holding tanks; and iii) the implementation of water reuse systems in the Project facilities and return of surplus water to the aquifer. These measures will substantially reduce the net consumption of well water, resulting in almost zero net demand. CEM will monitor the well's water table to ensure the sustainability and quality of the water resource.

4.3.b Pollution Prevention

Construction activities generate noise, vibrations, and suspended particulate matter (PM_{10} and $PM_{2,5}$). However, the associated impacts are expected to be of medium intensity, as they are limited to the Project's construction stage. The management plans included in the ESIA include regular monitoring of noise, vibration, and air quality levels to ensure that they comply with local regulations and the World Bank's General Environmental, Health and Safety Guidelines.

4.3.b.i Waste

The Project will generate common (organic, wrappings, paper, plastic cutlery, etc.), recyclable (metal, plastic, paper, cardboard), and construction (petrous aggregates, wood, inert material, rubble, gravel, etc.) solid waste. Although the Project will not generate large volumes of hazardous waste, it will produce hospital waste (from the infirmary), and rags or containers with solvents, paints, or other chemicals used during the construction and operation phases. This waste will be temporarily managed in the Project's waste storage areas, segregated at the source, recycled, and delivered to authorized agencies for final disposal.

During the construction stage, the Project will generate temporary sanitary effluents and runoff water. During the operation phase, the Project will generate black and gray water, which will be treated in a WWTP before being discharged into the subsoil.

4.3.b.ii Hazardous Materials Management

During construction and operation of the Project, the Company will handle limited quantities of hazardous materials (fossil fuels, solvents, paints, etc.). These will be stored in well ventilated warehouses with security systems to contain emergencies in the area and prevent access by unauthorized persons.

4.3.b.iii Pesticide Use and Management

ESIA's Vector and Pesticide Management Plan sets out a series of guidelines to minimize the risks that may arise from fumigation and disinfection activities to prevent and control the appearance of rodents, insects, and other sanitary vectors. The Company will not purchase, store, use, manufacture, or market products included in classes "Ia" (extremely hazardous) or "Ib" (highly

hazardous) of the World Health Organization's recommended classification of pesticides by hazardousness.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

Project risks to community health, safety, and security are associated with: i) fire and life safety design; ii) increased road accidents and traffic congestion as a result of increased vehicular traffic (heavy machinery during the construction phase and private vehicles during operation); and iii) possible impacts as a result of the influx of foreign personnel. The management of these risks is described in the following sections.

4.4.a.i Infrastructure and Equipment Design and Safety

The buildings and other infrastructure at the San Cristobal Educational Complex are designed to comply with local building codes and the National Life and Fire Safety Standards (L&FS) of the National Fire Protection Association of the United States (NFPA). Upon completion of Project's construction, CEM will engage an NFPA-certified professional to conduct an audit to verify compliance with its L&FS designs.

4.4.a.ii Vehicular Traffic Management

An estimated 100 vehicles per day will circulate during the construction phase and this number will increase to 1,400 vehicles per day during the operation phase. Although the ESIA identifies the risks related to increased vehicular traffic, the Company has yet to conduct a Road Impact Study ("RIS") to identify the direct and indirect impacts generated on roads, infrastructure, neighboring residents, and road users as a result of increased vehicular traffic.

4.4.a.iii Influx of Foreign Personnel

The potential influx of workers attracted by the employment opportunities offered by the Project could result in public health risks (increase in sexually transmitted diseases and an increase in gender-based violence and brothel activities). The ESIA includes the implementation of a series of activities to avoid these risks, such as the development of a Code of Conduct for the workforce and trainings to inform about appropriate behavior in relation to the communities in the AoI and to reinforce community health and safety issues.

4.4.b Security Personnel

CEM will subcontract physical security services to a company authorized by the local authorities. Security personnel are expected to carry weapons. Contracts with the security services provider will include: i) the requirement that the security services provider complies with the requirements of the Physical Security Procedure; ii) the guidelines reflected in the IFC Good Practice Handbook on the Use of Security Forces: Assessing and Managing Risks and Impacts to reflect international requirements.

4.5 Land Acquisition and Involuntary Resettlement

The Project will not require land acquisition since the land where it will be located will be granted in usufruct by the COG and the CDAG. It will not produce involuntary resettlement.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project will be located within modified habitats with no significant biodiversity components or presence of endangered species.

4.7 Indigenous Peoples

The Project will not affect Indigenous peoples.

4.8 Cultural Heritage

No signs of archaeological remains or vestiges have been identified in the Project area. Nevertheless, as a preventive measure, the Company will develop a Chance Finds Procedure.

5. Local Access of Project Documentation

Once approved by the MARN, the Project's ESIA will be available at the information office to be set up at the Project site, and at the following link: https://montesquieu.edu.gt/