

Environmental and Social Review Summary (ESRS) JSL, VAMOS & CS BRASIL - BRAZIL

Original language of the document: English
Issuance date: May 2021

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

JSL, Vamos and CSB (collectively termed the "Client" or the "Company") are Brazilian companies controlled by the SIMPAR Group, ("SIMPAR", or the "Group"). JSL is dedicated to cargo transportation services; CSB to public entities outsourced fleet management, passenger transport and public waste disposal; and Vamos to truck and machine rental and sales.

Due to the travel restrictions imposed by the COVID-19 pandemic, the Environmental and Social Due Diligence ("ESDD") was carried out by means a series of virtual meetings with the Client, where information on the Company's environmental and social policies, systems, procedures, and performance records was requested and assessed. No site visits were performed.

The proposed operation (the "Project") aims at supporting the Client efforts to reduce greenhouse gas emissions ("GHG") in its operations. Transaction objectives include: (i) increase the participation of light and heavy electric, hybrid and flex fuel vehicles in its fleet; (ii) support investments in CNG ("Compressed Natural Gas") conversion; (iii) improve urban cleaning, solid waste collection and passenger transportation services; and (iv) innovation projects to optimize its operational process and integrating systems through the inclusion of technologies and programs to reduce the overall carbon footprint of its operations.

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 generate, among others the following impacts: i) greenhouse gas emissions, linked mostly to fuel and energy consumption; ii) solid and liquid waste production; iii) air and noise emissions, from the operation of the Client's fleet; iv) potential health and safety, gender and diversity impacts; and v) potential interference with the activities of neighboring communities. These impacts are deemed to have low to medium-high intensity and are easily to be managed from the Project's perspective.

The International Finance Corporation's ("IFC") 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 Client has three companies managed by SIMPAR: i) JSL, which deals with logistics and goods transportation; ii) Vamos, that mainly concentrates in truck rental and sales; and iii) CS Brazil, that focuses in outsourced fleet management. The Company operations are distributed in 21 states and consist of a series of offices, distribution centers and large depots, located in urban and suburban areas at various Brazilian cities.

3.2 Contextual risks

Due to the characteristics of this Client's operation, contextual risks include some vulnerability to climate change and urban violence. Climate change risks are associated with floods and severe storms which may affect some operational activities and traffic along the existing road network causing accidents, property loss and transportation delays. Urban violence refers to risks of armed robbery eventually affecting operational units as well as cargo being transported on the roads.

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

SIMPAR has an Integrated Management System which comprises environmental management (ISO 14.001:2015); quality management (ISO 9001:2015), Brand Reputation Compliance Global Standards¹ ("BRCGC"), System for the Evaluation of Health and Safety, Environment and Quality² ("SASSMAQ", for its acronym in Portuguese), and Understanding Responsible Sourcing Audit ("URSA") and Sedex Members Ethical Trade Audit ("SMETA") protocols on social responsibility.

The Environmental Management System prepared under the Norm ISO 14001:2015 encompasses some of the Group's operations. In addition, an Environmental Management Manual ("EMM") that covers all Group operations and is customizable to all subsidiary companies, is currently used throughout the organization. The manual covers activities such as environmental licensing, planning, solid and liquid waste management, monitoring and control of air emissions, monitoring and control of noise emissions, control of drinking water quality, control of disease vectors, air conditioning maintenance, management of vegetation pruning, response to environmental emergencies, training, monitoring of corrective actions, guidelines for operations at other Client sites, and pollution prevention guidelines and documentation guidelines. The manual also contains management procedures for the latter.

Compliance with the Integrated Management System is assessed regularly by means of: i) periodic internal audits; ii) critical assessment of results by the group directors; iii) client satisfaction surveys;

¹ A global standard for storage and distribution of goods.

² It translates as quality, health, safety, and environmental evaluation system.

iv) monitoring of the established objectives and goals by higher management; v) periodic assessment of legal requirements; and vi) assessment of significant aspects on the group operations.

The Client is currently in compliance with national legislation and norms concerning the environmental licensing, health and safety norms, labor legislation and other relevant regulations.

SIMPAR has also implemented channels for the reception, treatment, and response to grievances from both internal and external public covering all three companies. However, it has currently not yet adopted a Stakeholder Engagement Plan.

4.1.b Policy

SIMPAR has adopted a Sustainability Policy. It encompasses objectives; the identification of target audience; principles that include policy management, corporate governance, environmental and social impacts, and service excellence standards; the definition of responsibilities for policy management and implementation; the identification of priority issues; and a glossary.

The policy states the Group's commitment with the United Nations ("UN") Global Compact and the UN Sustainability Development Goals ("SDGs"). The responsibility for policy implementation, evaluation and updates belongs to the Group's Administration Board, which is supported by a Sustainability Committee that provides information to the latter on policy management and obtained results. In addition, the Group has specific policies to deal with human resources, management of subcontracted truck drivers and private social investment in effect.

4.1.c Identification of Risks and Impacts

In terms of its environmental licensing process, most Client installations are small to medium properties located in urban and suburban areas and usually do not require environmental impact assessment studies under Brazilian regulations. Therefore, it does not perform environmental impact assessments to obtain environmental licenses for its operational units: impacts and risks are evaluated as part of the existing environmental management system and are captured in a matrix which also contains the proposed mitigation actions, and monitoring measures.

Environmental and social risks are addressed by means of compliance with regulations regarding employment, health and safety, fire prevention, emergency preparedness and response and others. In addition, the Group has certifications in quality and environmental management, and a grievance channel that receives, processes, and treats complaints from both internal and external public.

Through its Environmental Management Manual, the Client has established procedures to detect and control local environmental impacts linked to its operations. The issues covered include solid and liquid waste management, control of air emissions, monitoring and control of noise emissions, control of drinking water quality, control of disease vectors, air conditioning maintenance, management of vegetation pruning, response to environmental emergencies, training, monitoring of corrective actions, guidelines for operations at other client sites, pollution prevention guidelines and documentation guidelines.

The impact identification matrix is appropriate to detect and address impacts and risks associated with internal aspects. However, it gives modest support to the identification and mitigation of external impacts such as community disturbance (e.g., traffic interference, noise disturbance, air quality disturbance and increased risks of accidents involving external public), interactions with wild animals and other potential impacts³.

4.1.c.i Direct and indirect impacts and risks

Some of the most important direct impacts and risks include, among others: alteration of air quality (greenhouse gas generation and potential air contamination); noise disturbance; soil and water resources potential contamination; accident risks involving the group's personnel; third-party drivers and external community members, employment generation (direct); loss of fauna (wild and domesticated) due to collisions with trucks during transportation activities; and economy stimulation. Indirect impacts may include contribution to climate change (through GHG emissions), interference with traffic around some of the Group's operations, increased conflict with neighbors due to traffic disturbance, potential health issues linked noise and air quality alterations, and employment generation (indirect), among others.

The continuous updating of the impact matrix serves as a base to complement the existing mitigation and monitoring programs.

4.1.c.ii Analysis of alternatives

The decision making concerning the siting of the client's new operational units involves mostly technical and financial feasibility considerations, as most properties used for the businesses are in urban and suburban contexts.

4.1.c.iii Cumulative impact analysis

The Client has not yet performed a cumulative impact analysis for its operations.

4.1.c.iv Gender risks

The current proportion of female workers that the Group has is relatively small (about 16.7% of the employees). In JSL, Vamos and CS Brasil, the percentage of female employees at the end of 2020 were, respectively, of 11.9%, 20.7% and 7.7%, showing a clear unbalance in gender distribution. Notwithstanding, SIMPAR addresses sensitive aspects to gender issues as by: i) hiring companies that provide female security personnel in operational units that require personal searches; ii) assuring that employment conditions are equivalent for men, women, and other genders; iii) providing appropriate personal protection equipment to female employees; iv) offering job rotation options to protect pregnant women; iv) providing separated bathrooms and dressers for men and

³ Increased risks of road accidents; increased loss of wild and domestic animals due to accidents; traffic interference around existing operational units; potential health issues involving neighbors due to noise disturbance; and potential health issues involving neighbors due to air quality alterations, among others.

women; v) providing adequate installations for people with disabilities, elderly and pregnant women; vi) enforcing a code of conduct that expressly forbids sexual harassment and discrimination by sex, marital status, sexual orientation or any other condition; vii) adopting a grievance channel operated by an external independent company that receives and processes all kinds of grievances, including those linked with sexual harassment; viii) joining the Associação Movimento Mulher 360, a movement that seeks the economic empowerment of Brazilian women in a 360-degree view; ix) joining the UN Global Compact that follows the UN Sustainable Development Goals (SDGs), which include SDG 5 “Achieve gender equality and empower all women and girls”; and x) launching the benefit of extended maternity leave of 6 months (in Brazil official maternity leave for private companies lasts only 4 months) and paternity leave of 20 days (usually Brazilian companies allow 5 days leave as paternity leave).

4.1.c.v Climate change exposure

The Client’s operations are scattered throughout the country and abroad. The main exposure to climate change is linked to floods and severe storms. As part of SIMPAR Risk Management Policy, a climate risk assessment matrix was developed and is regularly updated to prepare the installations to cope with extreme events. Additionally, the risks and opportunities related to climate change also influence SIMPAR’s financial plans, so that expenses allocation, capital access and divestments are evaluated considering climate change risks, opportunities, and adaptation.

4.1.d Management Programs

The Group has in place several management programs to monitor potential environmental impacts linked to its operations. In addition, it has several wider-reach corporate sustainability programs to address environmental and some social issues. According to the EMM, site specific programs include: i) solid and liquid waste management; ii) air emission control; iii) noise monitoring and control; iv) drinking water monitoring; v) disease vector control, vi) response to environmental emergencies, and vii) personnel training. These programs are customized according to the specific context of each individual operating unit.

In addition to site specific programs, the corporate environmental and social programs encompass: i) an Emissions Management Program, and a Greenhouse Emissions Monitoring and Control Program that aim at understanding, monitoring and controlling GHG emissions all over the Group; ii) a Ligado em Voce Program, a toll-free line dedicated to the provision of information, support and guidance to the Company’s employees and truck drivers so that they and their families can obtain support when facing psychological, social, or medical problems; iii) a Diversity Program, to address diversity and equal opportunities; and iv) other corporate-wide social and environmental programs, that include the stimulation of its employees’ voluntary actions as well as fund-raising activities (Programs Julio Cidadão, Gincana Cultural and Natal de Emoções).

4.1.e Organizational Capacity and Competency

The Group has corporate teams in each operational unit dedicated to address the environmental, social and health and safety issues related to its activities. The teams’ expertise covers the fields of health and safety, environmental, social and systems management.

At the corporate level, the Board of Directors (“BD”) is advised by a Sustainability Committee (“SC”), a Sustainability Work Group (“SWG”), and an Executive Sustainability Assembly (“ESA”). The BD validates the positions indicated by the SC and provides alignment with the Group’s business view. The SC promotes the incorporation of sustainability practices into the Company’s strategy, decision making and purpose. It also encourages team integration into Company departments, provides recommendations to the BD and monitors the implementation of policies, strategies, actions, and projects. The SWG transforms guidelines into action plans, develops projects and validates actions with the SC. In addition, the ESA provides alignment of sustainability policies, guidelines, projects, and procedures among the group companies, presenting examples of good practice, experiences, themes, and trends for the sector.

The Group has the required internal capacity to create, operate, maintain, and improve the environmental management system, resorting to the support of external partners whenever needed. In addition, it has the formal commitment of its BD to the issues concerning environmental, social and health and safety issues as well as the commitment to continual improvement of the Group’s sustainability key performance indicators.

4.1.f Emergency Preparedness and Response

The Group has an Emergency Action Plans for JSL’s offices in Mogi das Cruzes and Intermodal, as well as a nationwide Emergency Action Plan for Hazardous Cargo Transportation. References to emergency procedures are made in the Group’s Environmental Management Plan.

In addition to the nationwide Emergency Action Plan (to respond to potential accidents involving hazardous substances) and operational unit’s emergency response plans, the Client has a manual for the drivers that covers the transportation of hazardous and non-hazardous cargo. This manual offers guidance to deal with a series of issues such as: i) the use of alcohol & drugs (which are prohibited); ii) driver presentation; iii) personal protection equipment; iv) safety check-lists for cargo transportation, loading and unloading; v) required documents for cargo transportation; vi) identification and classification of hazardous substances; vii) composition of onboard emergency response kits; viii) travel procedures; ix) road safety rules; x) defensive driving; xi) emergency scenarios and applicable responses; xii) identification of environmental impacts; xiii) rational use of water and energy; xiv) ergonomics; xv) vehicle cleaning; and xvi) prevention of sexual abuse of children and adolescents (Programa na Mão Certa).

Mogi and Intermodal emergency response plans contain an introduction, objectives, definition of the operational unit covered by the plan, associated documents, relationship with other plans, scope of application, definitions, identification of operational units and activities, organizational response structure, description of equipment available for emergency response, useful contacts, description of plan triggering and communication procedure, training, simulation, guidance in case of area abandonment, emergency signposting, emergency scenarios, guidance for plan evaluation and updates, training schedule and criteria for closing the emergency. The firm SUATRANS COTEC (currently AMBIPAR) has been retained as the external provider of emergency services in the territory of Brazil and Mercosur.

Although the structure of these emergency response plans is substantially complete, they need to include the following aspects: i) identification of escape routes and meeting points; ii) listing of emergency response equipment (response kits, fire detection systems, fire extinguishers, fire hoses, hydrants, sprinklers, etc.); iii) identification of roles and limitation of external services provider; iv) organizational response structure, that includes the organigram and a list with the names and contact details of the people involved in emergency response ; v) emergency scenarios (fire, flammable liquid leak, gas leak and first aid); vi) of emergency procedures associated with each scenario; vii) response in cases of accidents, with the list of hospital and other emergency facilities; viii) reporting, that can enable the understanding of causes, describe the emergency procedures adopted, explain the results, etc.; and ix) personnel training and emergency drill and simulations.

The Group has prepared a Nationwide Emergency Action Plan, which covers all the country, to respond to accidents that may occur during the transportation of hazardous cargo. Such plan is being implemented by SUATRANS – AMBIPAR, who provides a wide area coverage supported by strategically distributed operation bases which harbor emergency response equipment, vehicles, and personnel throughout the country. This emergency support operates on a 24 hours per day, 7 days a week basis, and is activated by means of toll-free lines. In addition, the client Conducts periodic simulations of accidents involving leakage of hazardous products, fires, and other situations to test their emergency response equipment and personnel.

4.1.g Monitoring and Review

According to the Group's Integrated Management Manual, the Client monitors and reviews its environmental management performance on an ongoing basis through: i) internal audits; ii) regular meetings involving directors to perform critical assessment of the environmental management system; iii) use of key performance indicators (KPIs) to monitor objectives and goals set up by higher management; iv) analysis and handling of non-conformities; v) surveys to assess client satisfaction; vi) ongoing assessment of environmental aspects and impact assessment of all company operations, and vii) continual monitoring of legal requirements for the operations.

The Group's Environmental Management Manual also describes procedures for the periodic monitoring of black smoke from diesel powered vehicles, by means of opacimeters, and comparing the obtained results with Brazilian regulations. All the Group's fleet is monitored, including third-party vehicles.

Regarding noise emissions, the Group adopts two approaches: i) vehicle noise monitoring, which comprises the regular evaluation of noise emission from diesel powered vehicles; and ii) ambient noise monitoring in areas destined for vehicle maintenance, parking lots for large vehicles, and other operations which generate significant noise. Noise monitoring was carried out around some of the larger Group installations, such as the Intermodal Logistical Center operated by JSL in Itaquaquetuba, São Paulo. Monitoring was performed at property limits. The standard of reference used in the monitoring was the Brazilian Norm ABNT NBR 10.151/00 and the area was classified as "predominantly industrial" where noise levels of 70 DB(A) are tolerated during daytime and 60 DB(A) are tolerated at nighttime. The measurements at property limits ranged from 42.17 to 66.55 DB(A) during daytime and 55.10 DB(A) during nighttime. No measurement was carried out at

sensitive receptors around the site to assess ambient noise level at residences. Therefore, no information is available on the noise impact at sensitive receptors.

4.1.h Stakeholder Engagement

Some level of stakeholder engagement has taken place by means of the Group's participation in a series of environmental and social initiatives involving NGOs such as Childhood Brasil (fight against sexual exploitation of children and adolescents), Associação Movimento Mulher 360 (gender equity and empowerment) and Instituto Júlio Simões (a series of social programs).

The existing grievance channel unifies all complaints from employees, third-party workers, and external public. Most complaints are placed anonymously. However, there is no dedicated grievance channel to address the external public's concerns.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

4.2.a.i Human Resources Policies and Procedures

The Group's People Management Policy covers all companies and contains goals, definition of responsibilities, description of personnel, job specifications and assessment of new requirements, recruitment process, experience assessment of new employees, onboarding guidelines of new employees, principles for coexisting in the work environment (emphasizing respect to differences), training and professional development guidelines, payment and benefits guidelines, union relations guidelines, dismissals guidelines, monitoring of professional development, performance control methods, and surveys to assess employees perception and diversity.

4.2.a.ii Working Conditions and Terms of Employment

By the end of 2020, the Group had 21.709 employees of which 18,094 (84.0%) were men and 3,615 women (16.7%); JSL Logistics had 13,613 of which 11,993 (88.1%) were men and 1620 (11.9%) were females; Vamos had 948, of which 752 (79.3%) were men and 196 (20.7%) were women; and CS Brasil had 3,263 of which 3,012 (92.3%) were men and 251 (7.7%) were female. The Client complies with all national regulations to hire and maintain working relations. The Group has its own workforce and works with contracted truck drivers under the terms of contracts to provide cargo transportation services. The Group's supply chain also involves service and product providers, consultants, etc.

4.2.a.iii Workers' Organizations

The Client's Human Resources Policy allows the free association of employees in unions.

4.2.a.iv Non-discrimination and Equal Opportunity

The Client's Human Resource Policy contains provisions to guarantee gender equity and accessibility, with equal opportunities for all regardless of sex, color, religion, disability, marital status, sexual orientation, family status, age, or any other condition.

4.2.a.v Retrenchment

Currently, there is no indication of collective dismissals. However, if needed in the future, the Client will study alternatives to retrenchment and prepare a retrenchment plan to minimize its effects on workers.

4.2.a.vi Grievance Mechanism

The Company has installed a grievance reporting channel⁴ to receive complaints from internal and external public. This channel, that is managed by a third party (Contato Seguro) to ensure complete independence in the reception and treatment of complaints, covers all Group companies and issues involving noncompliance with legislation, procedures, robbery, theft, corruption, sexual harassment, moral harassment, and undue use of company resources.

From January to December 2020, the grievance channels received 853 complaints for JSL, 150 for CS Brasil and 42 for Vamos. The complaints involve moral and sexual harassment, inappropriate behavior, noncompliance with internal norms and procedures, damage and/or undue use of Company property, community relations, favoring of clients and other stakeholders, theft, inadequate use of information, use of alcohol and drugs, noncompliance with labor laws, bribery, inappropriate relationship with Company providers, among others. For those complaints assessed as critical⁵, the Client adopts the following remediation options: employee dismissal, employee suspension, counseling, training, supplier disqualification and procedure changes. In all cases the process treatment and results are informed to the complainant. As an example of how the Client deals with critical complaints, in a grievance involving sexual harassment of an employee by another Company worker that was duly confirmed by an investigation, the perpetrator was immediately dismissed.

In addition to the grievance channel, the Group created the Program Aponte o Risco!⁶ dedicated to early risk detection, whereby employees and third-party workers can rapidly identify and communicate personal or property risks. The program allows anonymous communication, and the site allows upload of photos, videos, and other file types to support complaints.

⁴ The grievance channel is accessible through a toll-free line (0800 726 7111), via the internet (contatoseguro.com.br/jsl) and via e-mail (canaldedenuncia@jsl.com.br).

⁵ Critical complaints encompass theft, embezzlement, or misappropriation; favoring suppliers, customers or other interested parties; harassment, sexual harassment or threat; bribery, payment of improper advantage or kickbacks; and misuse of company resources.

⁶ This consists of a webpage (www.contatoseguro.com.br/aponteoriscoj), a toll-free line (0800 512 7720) and an e-mail (aponteorisco@jsl.com.br)

4.2.b Protecting the Workforce

The Group's Code of Conduct expressly forbids the use of child and forced labor. Also, being a signatory to the UN Global Compact which prevents the use of child and forced labor, the Company does not employ children and does not promote forced labor.

In addition, SIMPAR participates of the Program na Mão Certa (promoted by Childhood Brasil, subsidiary to the World Childhood Foundation) and maintains partnerships with Instituto Liberta, giving lectures on fighting abuse and sexual exploitation of children and teenagers on Brazilian roads. In 2019, the Client mobilized 4,994 people, including third parties, customers, employees, and the community, in actions of this nature.

4.2.c Occupational Health and Safety

The Group is committed with the promotion of the health and safety of its workers. Therefore, its areas of Health, Safety and Environment, and of Integrated Management provide support to all companies. In addition, the Client acts within its clients to promote health and safety and comply with SIMPAR standards.

The Group complies with Brazilian occupational health regulations such as the Medical Program for the Control of Occupational Health and the Program for Prevention of Risks and Accidents. These programs cover all companies belonging to the Group. The Client also provides a Specialized Service of Safety Engineering and Work Medicine ("SESMT") and an Internal Commission for the Prevention of Accidents ("CIPA"), as requested by Brazilian regulations.

Work installations are assessed by each municipality fire department to evaluate fire hazards and fire prevention and control systems. After such assessment, which is a prerequisite to authorize the operation of each unit, the corresponding fire department issues a certificate regarding the acceptance of installed fire prevention and control measures at each site.

The Group has emergency action plans in force and regularly performs fire simulation exercises that need to be approved by local authorities.

According to its Emergency Action Plans, the Group is responsible to provide its personnel with Personal Protection Equipment ("PPE"). Such plans have a procedure for communication and investigation of accidents and incidents. Road accidents rates are measured in terms of accidents per million kilometers and employee accidents are measured as accidents per million hours worked. In 2020, SIMPAR had 163 road accidents, resulting in an accident rate of 0.70 accident per million kilometers. In the same period, 49 worker accidents were recorded, generating an accident rate of 1.18 accident per million hours worked. No deaths were recorded.

To prevent accidents, the Client undertakes training of employees in work safety⁷ and has adopted a series of other measures to enhance accident prevention, such as: i) the installation of dynamic

⁷ According to the client's 2020 Integrated Report, an average of 4.08 training hours per employee were given.

telemetry devices on trucks and buses, to alert the driver of safe speed for each point risk (curve, clover, junctions, etc.); ii) fatigue management mechanisms installed on trucks and buses, to alert the driver in case there are signs of fatigue; iii) drone monitoring in loading areas for wood and cane, and in the work fronts to verify compliance with procedures; iv) short safety videos to raise employee awareness of health and safety issues; v) alcohol and drug use prevention, that includes the testing in all drivers to assess if they are free from the influence of alcohol; vi) thematic campaigns on topics such as drowsiness, anticipatory driving, safe and economical driving, rain on the roads, speed, festive events that increase risks, traffic, orientation for vacation periods and operational standards.

In addition to the above measures, in operations which involve transportation of hazardous cargo, the Client follows a specific certification protocol (SASSMAQ), and specific units are audited both internally and by external auditors.

4.2.d Provisions for people with disabilities

The Specific programs to hire people with disabilities and refugees are listed in the Client's webpage (https://www.jsl.com.br/pt_BR/refugiados-pcd/). Also, through its intranet system, the Client stimulates its employees to indicate active and committed people with disabilities and provides a contact e-mail (canalgente@jsl.com.br) to receive such indications.

4.2.e Workers Engaged by Third Parties

The Group has a great variety of service and product providers (almost 18.400 in 2019). According to the Company's Code of Conduct all providers must adhere to the following principles: i) know and meet national standards and international, current legislation, as well as other requirements, procedures and practices of health and safety applicable to activities and services; and ii) observe the work environment carefully, identifying possible health and safety risk situations and communicate the appropriate area immediately.

For JSL Logistics, a major issue is the management of contracted drivers (identified as "agregados" and "terceiros") who perform 95% of Company's the cargo transportation and whose services are regulated by means their corresponding cargo transportation services contract.

The relationship of the Client and third-party does not yet ensure that all health and safety and ethical conduct applicable requirements are followed in a consistent manner by the latter.

4.2.f Supply Chain

The Client has a procedure to homologate all providers of goods and services. For a provider to be accepted as supplier, it must meet criteria relating to quality, health, safety, and environment. In addition, the provider in question must demonstrate and declare that they do not use child or forced labor and declare formally that it is against bullying, sexual harassment, and discrimination in any form.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Even though JSL had joined the Green House Gases (“GHG”) Protocol⁸ in 2018, it was only in 2020 that SIMPAR became member (Cycle 2021). SIMPAR's inventory is available for consultation the public, reinforcing transparency in disclosure of its subsidiaries' emissions.

As most of the heavy vehicles are powered by diesel and small vehicles are powered by gasoline or ethanol, the generation of GHG gases is certainly the most relevant environmental aspect linked to their operation. In 2020, considering Scope, 1, 2 and 3 emissions, the three Companies associated to the present Project emitted 342,084.93⁹ tons of CO₂e (JSL 240,785.83 tons of CO₂e; Vamos 60,602.67 tons of CO₂e; and CS Brasil 40,696.43 tons of CO₂e).

The Group performs a detailed assessment of Scope 1, 2 and 3 emissions and monitors them on an ongoing basis. In addition, it has adopted a series of programs and measures to reduce and control emissions including: i) training on economic driving provided to the Company's truck drivers; ii) early renewal of the fleet to ensure the use of more energy efficient vehicles; iii) increasing the use of both electric and natural gas-powered buses and trucks; and iv) route assessment and optimization to ensure reductions in fuel consumption. Part of the current financing operation includes the provision of technical assistance to prepare a medium- and long-term action plan to reduce GHG emissions. An external consultant will assess Simpar's GHG baseline and will provide a GHG reduction action plan (including KPIs).

4.3.a.ii Water Consumption

The Group is a relevant consumer of water resources. In 2020 its total water consumption reached 392,670 MI from which JSL consumed 133,290 MI (33.9%); Vamos 18,020 MI (4.6%), CS Brasil 69,806 MI (17.8%), and other companies 171,554 MI (43.7%). Overall Group water consumption in 2020 represented an increase of 2.33% in relation to the previous year, due to both cleaning protocols imposed by the pandemic and the growth of the company. A 5% reduction target has been established by the Group for 2021.

The rational use of water resources has been adopted as a sustainability priority by the Client. High-impact processes such as vehicle and property washing, and cleaning are managed through systems for reuse that cover both offices and shops. In seven branches and stores, the Client reduced water consumption by means of the implementation of a closed-circuit treatment and reuse system.

⁸ The protocol provides a tool used to understand, quantify, and manage GHG emissions.

⁹ The values were update in GHG Protocol after audit.

Management of effluents is done respecting all federal and state regulations (Conama¹⁰ and Cetesb¹¹ resolutions) and, in some units, such as the intermodal Itaquaquecetuba (SP), the water is returned to the environment after going through processes of treatment.

4.3.b Pollution Prevention

4.3.b.i Wastes

The liquid waste generated by the Group's operational units consists of effluents from the use of sanitary installations and drainage from vehicle washing and maintenance areas. Sanitary effluents are destined to existing public sewage collection systems and, in locations where public networks are missing, the Client has built septic tanks or modular sewage treatment stations whereby sanitary effluents are treated to levels acceptable to Brazilian norms. Periodic inspection of such facilities is performed. Licensed contractors are called to remove the slurries and dispose them safely.

Effluents from vehicle washing and maintenance areas are collected in water and oil separation devices, where the oily residues are periodically removed and destined to licensed external contractors for safe disposal. In installations that require fueling of vehicles, the surface of the fueling areas is impermeable and surrounded by channels that direct the drainage to water and oil separating boxes. Oily residue accumulated there is periodically removed and disposed of safely by licensed external contractors.

Regarding the control of air quality in operational units, the Client has built isolated cabins coupled with filtration and exhaust systems in workshops for vehicle painting and body repairs to prevent air contamination in the surrounding areas.

The Client has waste management plans implemented in all the Group units. Solid waste is segregated on site and stored temporarily before being destined to final disposal using licensed agents. The Group's Environmental Management Manual contains specifications to build temporary shelters for solid waste considering different types of operational units. The Group complies with the Brazilian regulations for solid waste management and the temporary storage of hazardous waste.

JSL waste management procedure forwards all used lubricating¹² oil for re-refining, as well as used tires¹³, batteries¹⁴, metal scrap¹⁵, paper waste¹⁶, and contaminated waste¹⁷. Only organic waste is destined to licensed landfills. During 2020, JSL generated 814.16 tons of worn-out tires, 2,052.08

¹⁰ Conselho Nacional do Meio Ambiente. Which is responsible, at the Federal level, for regulating environmental law, including the establishment of standards.

¹¹ Companhia Ambiental do Estado de São Paulo, the environmental institution that monitors and licenses granted to projects in the state of Sao Paulo considered potentially polluting activities.

¹² Used lubricants are collected and sent to authorized companies that re refine the lubricants.

¹³ Used tires are either retreaded and reused or sent to an authorized company that processes them into rubber articles.

¹⁴ Used batteries are sent to the maker to be refurbished and placed on sale.

¹⁵ Metal scrap is separated and sent to companies that reuse and recycle the materials.

¹⁶ Paper waste is destined to recycling.

¹⁷ Contaminated waste is sent to authorized companies for adequate disposal.

tons of worn-out batteries, 706.82 tons of scrap metal, 505.58 tons of contaminated waste, 136.98 tons of used lubricants and 1,135.87 tons of organic waste, totaling 5,384.23 tons of waste.

CS Brasil generated 214 tons of worn-out tires, 757.25 tons of worn-out batteries, 294.78 tons of scrap metal, and 55,27 tons of used lubricants. Information on organic and contaminated waste generated in 2020 is not available. Therefore, the amount of quantified waste in CS Brasil reached 1,321.3 tons of waste. Vamos generated 46.56 tons of used lubricant in 2020.

4.3.b.ii Hazardous Materials Management

Hazardous materials transport is addressed through specific procedures and licenses. The Company requires specific training (Transport of Hazardous Goods Operation Course) for its own and for third-party drivers when transporting hazardous substances. In addition, the Client's Driver's Manual gives guidance and has a specific nation-wide Emergency Plan to cope with incidents and accidents involving the transportation of hazardous substances.

Hazardous waste such as lubricants, fuel residues and others are managed through the Client's existing waste management process, whereby the waste is temporarily stored on site and taken by licensed providers to its final destination, which may involve reprocessing or disposal in authorized areas.

Except for the Quick Depot in Goiania that stores aerosols, which represent a significant fire hazard, most operational units do not store hazardous materials, other than lubricants and fuel in installations that carry out vehicle maintenance and fueling. The storage systems are designed in compliance with Brazilian regulations and contain standard safety measures as required by such norms.

4.3.b.iii Pesticide Use and Management

Even though the Group does not use pesticides, it may transport them as part of its operations. The transportation of any hazardous substances (including pesticides) is regulated by Brazilian legislation. The Client has adequate systems that fulfill the necessary Brazilian requirements to ensure safe transport and emergency response if needed.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The Client business units are spread all over Brazil and abroad. These are situated in urban and suburban areas around commercial areas of various cities. Some business units, such as the Intermodal site at Itaquaquecetuba in São Paulo, are large depots situated in the vicinity of highways in suburban areas. The Client's Environmental Management Manual contains management measures for the most common impacts. However, it is very modest in providing measures to control negative impacts on neighboring communities.

Noise monitoring comply with Brazilian norms at property limits. However, noise management still does not contemplate measurements in sensitive receptors.

Air quality monitoring near the Client's operational units has not been contemplated in the Environmental Management Manual.

Regarding complaints filed by external communities, as they are anonymous, Contato Seguro has not been able to separate them in external and internal complaints. However, most of such complaints refer mainly to traffic infractions by outsourced drivers on public roads (e.g. parking at improper locations in residential neighborhoods, on private land, and some instances of damage of public roads) and the great majority have been filed in São Paulo State.

Sexual exploitation of children and adolescents is a potential impact likely to occur in rest stops such as fuel stations, restaurants, and small hotels, where the drivers stop to rest and recover. To prevent the materialization of this impact, the Client supports the Program "Na Mão Certa" created in 2006 by the ONG Childhood Brasil¹⁸, which pursues the continuous education of truck drivers to act as agents to protect the rights of children and adolescents by reporting of suspicions or confirmed occurrences of sexual exploitation.

4.4.a.i Infrastructure and Equipment Design and Safety

The Client's operational units are projected with a fire detection and response system which is mandatory to fulfill local regulations. The system covers smoke detectors, sprinklers, fire extinguishers, emergency lighting, fire alarms, water reservoir and pumps, hydrants, fire hoses, signaling of emergency equipment, escape routes, meeting points and are approved by local authorities. In addition, trained emergency brigades are available to trigger the initial response in case of fire, involving evacuation, and communication with local firemen departments and first combat. An example of a simulation involving response to a fire was provided by the client, as evidence of their training for the emergency brigades.

4.4.a.ii Hazardous Materials Management and Safety

Hazardous materials transport is addressed through specific vehicles, procedures, and licenses. The transport of hazardous materials varies according to the type of hazardous cargo. All drivers that are involved in the transportation of hazardous substances are trained (MOPP Course¹⁹). Following Brazilian and international standards, transport vehicles have specific characteristics according to the type of hazardous product being transported and have also specific signaling. The Client has in place a nationwide Emergency Response Plan adequately dimensioned to respond to accidents involving hazardous substances.

¹⁸ This program entails the signing of the Business Pact Against the Sexual Exploitation of Children and Adolescents on Brazilian Highways, a public commitment to act in the protection of children and adolescents against sexual exploitation.

¹⁹ The acronym MOPP (Movimentação de Operação de Produtos Perigosos in Portuguese) stands for Transport and Operation of Hazardous Products. The MOPP course is a training conducted by truck drivers, who will transport products that offer some type of physical, chemical, or biological risk to the population and the environment.

The Client's small-to-medium operational units have fire safety systems in place, manage their solid waste and liquid effluents, and do not store significant amounts of hazardous materials. Due to their dimensions, locations, and the type of operations carried out there tend to generate small quantities of hazardous waste.

The Company's large operational units (JSL Logistic Centers such as the JSL Intermodal, Vamos, CS Brasil and others) that may store lubricants and fuel as the main hazardous substances and, as in the case of the Goiania Quick Depot, also aerosols, have local systems in place to manage solid waste, effluents, including contaminated drainage from vehicle cleaning areas, maintenance offices and fueling stations. In addition, these units have fire detection and combat systems.

The Client's hazardous substances and waste management systems are adequate. Nonetheless, it will present a Life and Fire Safety certificate issued by an expert to ensure compliance with international standards.

4.4.a.iii Ecosystem Services

The Group conducts its operations in urban and suburban areas which do not provide significant ecosystem services.

4.4.a.iv Community Exposure to Disease

The Group performs disease vector control campaigns in all operational units to prevent the potential exposure of neighboring communities to diseases. These involve periodical use of chemicals to control rodents and insects by licensed companies, as well as daily inspections to eliminate breeding areas for the mosquito (*Aedes aegypti*). Insect control is performed on a semiannual basis, except in units that have refectories, in which case it is performed monthly. Rodent control is performed quarterly in all operational units and mosquito breeding areas control is done daily, particularly during the rainy season.

Regarding the effects of the COVID-19 Pandemic, the Client follows established health protocols to protect its work force and clients, including mandatory use of masks and alcohol gel, signaling to ensure social distancing and the use of home office to avoid exposure of workers that can perform their duties remotely.

4.4.a.v Emergency Preparedness and Response

The Group has a specific Emergency Action Plan to address the transportation of hazardous goods that covers all Brazilian territory. Other emergency action plans are available for the Client's operational units. The effectiveness of these plans is periodically tested through simulations.

In addition to the nationwide Emergency Action Plan to respond to accidents involving hazardous substances and individual operational unit emergency action plans, the Client has a manual for drivers that covers the transportation of hazardous and non-hazardous cargo.

4.4.b Security Personnel

All property security services at JSL are armed and provided by third-party companies which comply with the Brazilian legislation (Law 7.102/84). The Group has measures in place to control risks generated by security to both internal and external public. The first control measure consists of the verification of the documents of the security services providers to assess compliance with Federal and State regulations on the matter; the second is the assurance that all new security personnel are trained in the Client's code of conduct; the third is by monitoring performance and appropriate behavior of security personnel, as they operate within the Client's operational units; and the fourth is the monitoring of issues involving security personnel is the grievance channel.

Current security service providers comply with conditions established by Brazilian regulations, such as: i) previous verification of security personnel criminal records; ii) behavioral training; iii) training on the use of force in specific situations; and iv) training on the use of firearms.

As stated in the Brazilian legislation, only security professionals with a clean criminal record that have approved the required training courses can receive a security professional card. Such card can be revalidated after having approved regular retraining and demonstrated adequate professional skills and track record.

Before closing a contract with an external security services provider, the Client verifies that all mandatory documents required by the Brazilian legislation are in place.

4.5 Land Acquisition and Involuntary Resettlement

The Client does not carry out operations that involve involuntary resettlement of people.

4.6 Biodiversity Conservation and Natural Habitats

The Project does not affect any critical natural habitats as it operates in urban and suburban areas.

4.7 Indigenous Peoples

Due to the location and characteristics of this Client's operations, no impacts on indigenous people are expected.

4.8 Cultural Heritage

The Group's operations are developed in urban and suburban contexts, so no impacts on cultural heritage is expected.

5. Local Access of Project Documentation

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

https://www.jsl.com.br/pt_BR/

<https://csbrasilservicos.com.br/>

<https://grupovamos.com.br/en/>