

Environmental and Social Review Summary (ESRS) Support to STILER's Supply Chain - URUGUAY

Original language of the document: Spanish
Issuance date: October 2024

1 Overview of the Project and Scope of IDB Invest's Environmental and Social Review

This transaction consists of an uncommitted reverse factoring revolving credit line (the "Line") to Stiler S.A. ("STILER" or the "Company") for the financing of its suppliers in Uruguay, mostly micro, small and medium-sized enterprises¹ ("MSMEs"), through the acquisition of collection rights and the issuance of guarantees to eligible financial institutions, in the form of unfunded participations (the "Project" or the "Transaction").

The Environmental and Social Due Diligence ("ESDD") process included interviews and meetings with the Company's managers and senior executives, as well as a review of environmental and social (E&S), and occupational, health and safety (OHS) information provided by STILER, including: (i) its business strategy; (ii) its E&S management policies and procedures; (iii) its OHS schedules; (iv) its human resources (HR) policy; (v) its procedures to manage suppliers; (vi) its solid (hazardous, non-hazardous and special-management) waste and effluents management processes; and (vii) its emergency response plans.

2 Environmental and Social Classification, and Rationale

The Transaction has been classified as a Category B in accordance with IDB Invest's Environmental and Social Sustainability Policy, since it may generate, among others, the following E&S and OHS impacts and risks: (i) increase in OHS risks; (ii) generation of noise and air pollutant emissions; (iii) solid (hazardous and non-hazardous) and liquid (mainly domestic and industrial wastewater) waste generation; and (iv) use of the resources, mainly water and energy. These impacts and risks are expected to be of low-medium intensity.

The Project triggers the following Performance Standards (PS) of the International Finance Corporation ("IFC"): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety and Security.

3 Environmental and Social Context

3.1 General characteristics of the Project's site

Founded in 1959, STILER specializes in the performance of construction contracts. Its experience is currently consolidated in three main divisions: (i) Buildings, with a strong focus on the design of construction solutions for the execution of architectural works in all building segments, from corporate buildings and shopping malls, to hotels, hospitals, sports complexes, educational training centers, housing

¹ In accordance with Decree No. 504/007 of 2007, companies are classified as micro, small or medium-sized enterprises ("MSMEs"), depending on the number of people employed and their annual sales.

solutions and urban refurbishment; (ii) Industrial, specializing in industrial engineering and mechanical and electrical project assemblies (electrical transmission and distribution networks, electrical substations, lighting networks and control systems, installation of optic fiber and assembly of telecommunications towers); and (iii) Infrastructure, specializing in ports and docks, roads, bridges and overpasses, sewage and drinking water networks, and water treatment and effluent treatment plants.

The Company has the IQNET certification² that endorses its compliance with the ISO 14001:2015 standard (granted by LSQA³) by having implemented and maintained an environmental management system that covers all its construction projects⁴ in all their phases⁵. It also has international certifications ISO 9001:2015⁶ and ISO 45001:2018⁷, also granted by LSQA.

3.2 Contextual risks

Latin America is a region that is significantly marked by deep social inequalities, where political, economic, social, cultural and historical factors are involved in the genesis, development and maintenance of poverty and social inequality gaps⁸. Although each country has a different risk structure, common aspects are observed in all of them, such as: a high birth rate concentrated in poor adolescents; young people whose opportunities are reduced in a society with few opportunities for education and job training, and difficult access to labor markets; and countries where legislation favors the incorporation of women into the labor markets and others where this is prevented.

Each country presents differentiated social risks according to vulnerability linked to population categories, such as stage of the life cycle (childhood, youth, adulthood and old age), educational level, social class, gender and race. Uruguay is no exception. In this sense, childhood is characterized as a period of great vulnerability, since children are exposed to a wide range of risks, including sexual and gender-based violence (SGBV), which affect their development due to their high dependence on their families; adolescents and young people, on the other hand, apart from SGBV risks, face the challenges of emancipation and the development of their potential; adults are exposed to risks associated with their insertion and permanence in the labor market, combined with the family burden; and older adults are exposed to risks related to their physical decline and the loss of links with the market and the families.

Latin America is vulnerable to climate change due to its geography, climate, social and economic conditions, demographic factors and great sensitivity to its natural resources (forests and biodiversity)⁹.

² IQNET is the global leading network of certification bodies. IQNET certificates are recognized around the world, which facilitates access to markets in all sectors of the economy.

³ LSQA is a stock corporation formed by capital held in equal shares by LATU and Quality Austria, which provides training and certification services for products, processes and integration of management systems (<https://lsqa.com.uy/>).

⁴ Public and private works of housing, architecture, civil engineering, roads, electricity, sanitation, electromechanical assemblies, energy networks and telecommunications, among others.

⁵ Development, administration, management, execution, operation and maintenance.

⁶ ISO 9001:2015 is a globally recognized quality management standard that helps organizations of all sizes and sectors improve their performance, meet customer expectations and show their commitment to quality.

⁷ ISO 45001:2018 is the international standard for occupational safety and health management systems aimed at protecting workers and visitors from occupational accidents and illnesses.

⁸ "Riesgo, vulnerabilidad y protección social en América Latina" (Risk, Vulnerability and Social Protection in Latin America). Colon, A.; Blog 2018 – socialprotection.org

⁹ "Vulnerabilidad y adaptación de las ciudades de América Latina al cambio climático" (Vulnerability and Adaptation of Latin American Cities to Climate Change); Margulis, S. Economic Commission for Latin America and the Caribbean (ECLAC) and the European Union (Euroclima). December 2016.

In Uruguay, the vulnerability of its cities to this phenomenon will surely be exacerbated by poor social and economic conditions and the limited access to infrastructure and services. Poor neighborhoods (illegally occupied houses or informal subdivisions on the outskirts of large cities), characterized by the lack of basic services (sanitation, drinking water or road networks) are also vulnerable to natural disasters.

In this context, the Project is also subject to natural disaster threats, mainly storms, droughts and hurricanes, as well as social unrest threats, such as SGBV, vandalism, and protests or demonstrations. However, these threats represent a moderate to low risk, both because of the locations of works and properties (located in urban centers or industrial sites), and because of the damage they could cause to the physical infrastructure of the developments, as well as to employees, customers and suppliers.

4 Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and management of E&S risks and impacts

4.1.a Environmental and social management system

STILER has developed an Integrated Management System (“IMS”) that affirms its commitment to quality, equity, safety and the environment, and through which it will manage the environmental, social, and health and safety risks and impacts associated with the Project. However, the Company will review its IMS periodically¹⁰ to strengthen or update its components as per the applicable E&S and OHS requirements.

4.1.b Policies

STILER has adopted a Quality, Equity, Safety and Environmental Management Policy to ensure that its activities are carried out sustainably, safely, efficiently and reliably, without harming the environment, and pursuant to applicable legislation.

4.1.c Identification of risk and impacts

4.1.c.i Direct and indirect impacts and risks

The IMS has environmental files containing the identification and assessment of E&S aspects and OHS risks associated with the activities it carries out. This system serves as a framework to identify and evaluate the aspects and hazards associated with the construction works and thus determine the operational controls or corrective actions, as well as the measurement and follow-up mechanisms (including the definition of indicators) required to manage each risk. The criteria used to identify and evaluate these impacts and risks include the regulatory requirements of applicable legislation.

The Company promotes good practices focused on proper waste management, decreased emissions, water and energy saving, and awareness among employees and suppliers about the optimal use of resources, so as to minimize the environmental impact and prevent pollution.

¹⁰ Applying the Social and Environmental Management System, Implementation Manual – General, IFC, version 2.1, November 2015. E&S Management System Tools, General, IFC, release 1.2, November 2015.

4.1.c.ii Analysis of alternatives

No analysis of alternatives was carried out for the Project, since the selection of sites where each work to be built will be located will be determined according to the requirements of each developer, in consolidated locations and determined in compliance with the zoning regulations established by the competent authority.

4.1.c.iii Cumulative impacts

Given the characteristics of the Project, it is considered that the aggregate impact of present, past and future projects will be minor. Therefore, a plan to mitigate the cumulative impacts is not required.

4.1.c.iv Gender risks

The gender gap in Latin America and the Caribbean is enormous; it is defined as differential, unequal access to work, education, economic and political participation opportunities based on sex or gender. This gap is supported by widespread cultural rules for what is acceptable for men and women, and is exacerbated by weak legal safeguards or deficient social response. The gender gap leads to gender-based discrimination, unequal access to public services, to educational differences, to work and pay gaps, and lower rates of political participation.

In 2024, the gender gap index for Uruguay (0.72) is below the average of the other 21 countries in the region¹¹. Gender-based violence and harassment (GBVH) are also a major problem in Latin America and the Caribbean, which account for the highest rate in the world. A total of 28 femicides were reported in Uruguay in 2022, ranking 15th among the 21 countries in the region¹².

Seeking to prevent GBVH, through its Code of Ethics and Harassment Protocol, STILER documented specific instructions to address the issue, establishing channels for reporting, investigating and communicating the conclusions as well as a list of potential penalties applicable to any person failing to observe these rules.

4.1.c.v Gender programs

The Project is not expected to have any differential impacts between men and women, or promote gender violence or pandering activities. STILER promotes non-discrimination and equal opportunities when seeking and promoting human talent. In this sense, the Project is expected to generate equitable employment opportunities.

¹¹ The gender gap index considers the following aspects: i) economic participation and opportunity; ii) educational attainment; iii) health and survival; iv) political empowerment (<https://www.statista.com/statistics/803494/latin-america-gender-gap-index-country/>).

¹² <https://www.statista.com/statistics/827170/number-femicide-victims-latin-america-by-country/>

4.1.c.vi Exposure to climate change

Uruguay has natural climatic hazards that can potentially impact the construction sector. These include increased periods of drought, water shortages, intensification of heat waves, changes in precipitation, intensification of floods and landslides.

All of the previous threats may have an impact on Project operations, including the related transportation infrastructure and the availability of construction supplies and materials at the territorial level, affecting the execution of such developments.

In general, the Project's infrastructure and works are moderately exposed to physical risks and hazards due to climate change, as follows: (i) as per a global climate model, high exposure to droughts and moderate exposure to changes in precipitation patterns and earthquakes; and (ii) high exposure to heatwaves with a moderate upward trend in the RCP 8.5 climate change scenario¹³. These sudden changes in temperature could affect the operation of works, increasing energy consumption in air conditioning to keep facilities cool and in optimal conditions for occupancy, as well as to maintain an adequate working environment.

However, the Project's exposure to climate change is addressed through: (i) several measures proposed in its design; (ii) the use of materials to adapt to the new weather conditions; (iii) the safety or emergency response plans; and (iv) the measures to promote the efficient use of resources (water and energy) of each construction site.

4.1.d Management program

For its existing operations, each work financed by the Project will have environmental mitigation and management measures described in the operating processes, as well as emergency plans for natural disasters. Some of the measures required to eliminate or mitigate each of the impacts or risks detected include: (i) preventive measures aimed at eliminating or decreasing the frequency or severity of negative impacts or risks, supported by (a) preventive and predictive equipment and machinery maintenance programs, and (b) ongoing employee training programs and scheduled drills; and (ii) technical and operational recommendations based on the compliance with applicable environmental and OHS regulations of the country in which the activities are performed, establishing fire procedures and equipment.

4.1.e Organizational capacity and competency

STILER has an organizational structure dedicated to E&S and OHS issues, led by the Environmental Management Head, who advises the Environmental Management Manager at the worksites. The latter carries out the tasks of monitoring environmental plans, such as: (i) ensuring compliance with environmental and OHS operating procedures; (ii) disclosure of risks and hazards; and (iii) participation of all employees in the processes of identification and evaluation of environmental emergencies.

¹³ A Representative Concentration Pathway (RCP) is a greenhouse gas (GHG) (not emissions) concentration pathway adopted by the IPCC. The pathways describe the different future climate scenarios, all of which are deemed possible depending on the volume of GHG emitted in the coming years. RCPs, originally RCP 2.6, RCP 4.5, RCP 6 and RCP 8.5, are labeled based on a potential range of radiative forcing values in 2100 (2.6, 4.5, 6 and 8.5 W/m², respectively).

STILER also has an Environmental Management Committee in charge of identifying, designing and implementing improvements to the IMS.

4.1.f Emergency preparedness and response

The Company has Contingency Preparedness and Response Plans (CPRP) for each one of its worksites. These plans comply with OHS regulations effective in the countries in which its activities are carried out. Each CPRP establishes the mitigation and emergency preventive actions for each facility to safeguard the physical integrity of employees, visitors, suppliers, other people or customers within the facilities, as well as to address a wide range of emergencies threatening the property and uninterrupted production.

In addition, STILER has an environmental management system follow-up spreadsheet that establishes the schedule of drills at the different worksites, which must be carried out at least once a year. After the drill, the results are recorded in an accident or environmental emergency drill report, which includes a chapter on proposed actions and corrective measures (if any).

The Site Manager, with the support of the Environmental Management Head, is in charge of establishing the annual training program to implement the contingency and drill programs and to review the frequency of such training sessions.

4.1.g Monitoring and review

Some of Company's goals include monitoring the compliance with all environmental legal provisions. Therefore, as part of its environmental commitment and to avoid penalties, using the environmental management system follow-up spreadsheet¹⁴, it plans and carries out legally enforceable environmental audits, through a systematic and objective review, based on international standards (ISO-14001¹⁵).

However, the Company will prepare¹⁶ a consolidated annual report on the compliance status of all the E&S and OHS policies and measures applicable to the Project, using key performance indicators (KPIs) for that purpose. With the results of these internal or external assessments, the Company will define specific measures to reduce its impacts, improve its efficiency, and document and report on progress and new procedures, depending on the status of Project works.

4.1.h Stakeholder engagement

STILER will develop and adopt a Stakeholder Management Plan for the adequacy of the new works to be financed by the Project, including: (i) updated identification of all stakeholders, including the local authorities and surrounding communities and neighbors (within a 3 km radius of each facility); (ii) differentiated measures to enable the effective engagement of disadvantaged or vulnerable groups (if present); (iii) a mechanism to ensure that the representatives of the affected communities are able to voice their opinions; (iv) details on how information is disclosed to stakeholders; (v) details on the

¹⁴ In this form there is an "Environmental Checklist" that is used to evaluate the different operational control elements associated with environmental aspects.

¹⁵ Standard certifying the environmental and social management system.

¹⁶ Either internally (internal audit) or through an external independent E&S expert (external audit).

stakeholder engagement process in these communities and how they can access the grievance mechanism; and (vi) mechanisms for implementing and disclosing the updated management plan to all personnel as part of the annual training plan.

This plan will identify the work team responsible for its implementation (e.g. the Environmental Management Head and a team of social promoters) and define the protocols for the following activities: (i) interviews with authorities and stakeholder representatives; (ii) stakeholder briefings; and (iii) media and social networks management.

4.1.i External communications and grievance mechanism

4.1.i.i External communications

STILER accepts responsibility for offering true, thorough, updated and accurate information. For this purpose, the Company will prepare a Corporate Communication Policy to ensure that all communications to the external public, including stakeholders, are made in a careful, responsible and efficient manner. This policy will determine the external official communication channels to be used (reports, websites, press releases, social networks, transparency mailboxes, contact centers, focus groups, social events, etc.) to reach the related stakeholders.

4.1.i.ii Affected community grievance mechanism

The Company has in place a grievance procedure defining the guidelines to secure that all grievances or complains received are addressed and investigated in a timely manner, creating and maintaining an adequate control environment based on values and the Code of Ethics. These guidelines establish the roles of each functional area, as well as when in the process and how they should get involved (reception, classification, review, analysis, investigation, preparation of an action plan with the compliant, monitoring, management and submission of KPIs).

Grievances may be filed as follows: (i) personally before the town hall or similar State Agency, or in writing through the webpage¹⁷, the electronic mail created for that purpose (stiler@stiler.com.uy), or physical communications submitted directly at the Company's facilities, or (ii) orally by telephone or through a verbal statement showing the dissatisfaction. These means are available for employees and external staff and can record¹⁸ and process anonymous grievances or claims, making sure they are treated with no risk of retaliation or discrimination against the person filing them. The Site Manager communicates the result to the Construction Management and the Environmental Management Manager, so that they can evaluate the results, and then a response will be given to the complainant.

The mechanism seeks to make the Company's business management transparent; keep open, honest relationships; and promote the values of integrity, honesty, transparency and respect.

¹⁷ <https://www.stiler.com.uy/contacto>

¹⁸ Claims are registered as a "Situation to be improved" in the Company's Nodum system, indicating actions, parties in charge and deadlines, completing all the information on the situation reported.

4.1.j Reporting to affected communities

An overview of STILER's mission, vision and values, as well as the certifications in that regard can be found on their website¹⁹.

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

All aspects related to the work and working conditions are managed by the Company's Human Resources Management.

STILER has a Code of Ethics setting forth: (i) the Company's identity and commitments, along with its organizational values; (ii) business ethics, where practices and commitments on the following matters are disclosed: (a) governance and corporate social responsibility, (b) compliance with laws and regulations, (c) accounting and auditing, (d) business practices, (e) freedom of association, (f) safety and environment, (g) information technology policies, and (h) government investigations and inspections; (ii) integrity in the management of conflicts of interest and on negotiations and acquisitions; (iii) integrity in human management policies, covering topics on: (a) employment and diversity, (b) harassment-free environment, (c) discrimination-free environment, (d) confidentiality, (e) protection of personal data, and (f) family members within the Company; and (iv) administration of the code, describing the mechanisms for inquiries and reports. The competent authority for monitoring this code is the Ethics Committee²⁰, which, together with the General Management or the Corporate Services Department, is responsible for disseminating and training on compliance with the code to all managers, employees, contractors and suppliers directly involved in the Company's operations.

Additionally, in compliance with the labor laws of each country, STILER has an Internal Work Rulebook ("IWR") that establishes the general rules that regulate the labor relations between the Company and its workers²¹, without prejudice to the compliance with local and domestic labor laws, those established by the International Labour Organization ("ILO") and other organizations establishing labor standards.

The Company also has a Gender Equity Policy that recognizes the importance of gender equity as a fundamental principle to achieve equal opportunities, integrating equity into organizational management, with people's competencies, commitment and performance as the basis for professional development.

4.2.a.ii Working conditions and terms of employment

The provisions in the Code of Ethics and the IWR meet both labor and security legislation and regulations of the countries where works are performed, and the best international practices. These provisions govern personnel recruiting and hiring ways and conditions; work days and times, days off work; vacations and

¹⁹ <https://www.stiler.com.uy/nosotros>

²⁰ This Committee is made up of the General Management, the Corporate Services Department and the Human Resources Management.

²¹ The entry to the Company; working hours; payroll processing and payment of salaries and wages; employee behavior; penalties; leaves of absence and work absences; production and quality; and occupational safety, among others.

leaves; flexible work schemes to promote collaboration and productivity; salaries and benefits; the rights and obligations of the employer and the employees; conduct and disciplinary measures; safety of assets; prevention of risks, and the way disabled workers are hired and treated, among others. In order to reinforce the people's knowledge of these work conditions, the Company requires that each worker commit to observe the Code of Ethics and IWR and report any real, potential or seemingly noncompliant situation.

STILER recruits, selects and hires talent following transparent, confidential, objective, and stringent processes that guarantee that the principles of equality and non-discrimination are respected. In addition, as established in the models and procedures of the Code of Ethics, the selection and hiring of personnel is based on their suitability, job skills and professional experience, as well as the level of identification of candidates with respect to the Company's values. These precepts make this process efficient, free of bias and discrimination of any kind, and encourage work team diversity.

The Company promotes fair and respectful treatment of others, and a work environment free of (verbal or physical) intimidating or harassing behavior among its employees. For this purpose, it has implemented a deviation and performance management protocol in the event of any report received.

4.2.a.iii Workers' organizations

STILER, 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 ILO²². In addition, through the Code of Ethics, it: (i) respects the right of its employees to organize or unionize and collective bargaining, as a fundamental human right; and (ii) promotes opportunities for dialogue and attention to the needs of its employees in the workplace.

4.2.a.iv Non-discrimination and equal opportunity

All the countries where STILER operates are signatories 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. Apart from complying with these provisions, the Company establishes, within its Code of Ethics and IWR, the respect for individual diversity and equity by acting justly, equally and impartially and looking for an inclusive, positive and social impact. In addition, these instruments state the zero tolerance in the event of discrimination, harassment or abuse at the workplace and ratify the Company's commitment to promote an environment in which no candidate, employee, supplier or contractor of services may be excluded or discriminated against in an external or internal selection process based on ethnical or national origin, gender, age, disability, social status, health condition, religion, immigration status, opinions, sex preference, civil status or any other type against human dignity.

The Company has an Action Protocol for the Prevention of Harassment at Work, which provides all staff with clear guidelines on prevention, detection and action in situations of (sexual or moral) harassment at

²² Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining.

the workplace, providing tools that allow all its members to live in an environment of respect and dignity, free of discrimination.

Additionally, in 2021 the Company joined the Women Empowerment Principles²³ (“WEPs”), where it expresses its support to the promotion of equality between men and women, and created the multidisciplinary Equity Committee²⁴ to ensure compliance with the Equity Policy and promote an organizational culture of gender equity in institutional practices.

4.2.a.v Retrenchment

STILER does not anticipate any retrenchment in the future. However, if this happened, the IWR establishes the need to meet the labor regulations of each country in which it operates, regarding the suspension and termination of work relations collectively.

4.2.a.vi Grievance mechanism

The means to submit reports or claims on any inappropriate or ethically questionable behavior or any noncompliance with the values and the Code of Ethics is the grievance mechanism. This mechanism integrates different communication channels: direct or written reports to the Ethics Committee, to the HR Department, the grievance logbook at each work site²⁵, anonymous reports, as well as digital options, such as e-mail, website, employee portal or a dedicated telephone line. The Code of Ethics establishes that all reports are confidential and any retaliation against those reporting suspected violations or cooperating in the investigation of any suspicious act is prohibited.

4.2.b Protecting the workforce

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

Likewise, its Code of Ethics and IWR establish that the Company’s employees, contractors, outsourced employees and suppliers in general should meet all the applicable labor laws and regulations in each country where STILER operates. In addition, the Company has an Opportunities Program for the Insertion of Women in the construction industry, where, among other actions, the following have been implemented: (i) the ILO anti-discrimination concept and the commitment assumed by the Company regarding gender equity were added to the induction of all employees; (ii) the existing protocol on harassment at the workplace was expanded, including the concept of discrimination and sexual harassment, with the same guidelines, procedures and importance; and (iii) a program of six workshops

²³ This Principles offer a 7-step guide that companies can adopt to promote and empower women and are produced and disseminated by UN Women (the United Nations Entity for Gender Equality and the Empowerment of Women) and the United Nations Global Compact.

²⁴ It is made up of the OHS, HR and Labor Relations Departments, and the IMS.

²⁵ In each work site there will be a grievance logbook that will be numbered and may be found at the HR office (if any) or in the possession of the foreman. Workers will be able to register their grievances with the corresponding justification and they will be processed with an authorized signature reading “received”; within 72 hours, a response or the status of the complaint must be given; this action will be the responsibility of the Site Manager.

for middle management to raise awareness and sensitize them to promote gender equality and give guarantees to the women in our company that they will be fully respected at the workplace.

4.2.c Occupational health and safety

STILER, in compliance with labor and OHS laws and the IRW, has a health and safety study for each facility or work site for the different work stages, as well as a Health and Safety Plan (“HSP”), which contains the most common risk prevention measures, including welfare conditions for workers. Such HSPs include the guidelines and actions to take in order to: (i) protect the physical integrity of its workers; (ii) prevent injuries and damage to their health; (iii) avoid affecting the safety of the processes by implementing and executing procedures related to industrial safety and occupational health; and (iv) identify any hazards, evaluate risks and establish prevention, correction, control or transfer measures. These conditions are reinforced through the clauses or sections under safety, health and environmental standards in 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 Project area.

4.2.d Provisions for people with disabilities

STILER does not discriminate against workers based on their disability and complies with the regulations for the inclusion of such persons in each country where it operates. In addition, it will ensure that it: i) provides adequate sanitary, mobilization and work facilities for people with some degree of disability, whether they are employees or visitors to the Project; and ii) modifies emergency plans accordingly to allow this group of people to participate in evacuation plans.

4.2.e Workers engaged by third parties

In accordance with the Code of Ethics and the IWR, all of the Company’s work rules, policies and procedures are applicable to its employees, customers, suppliers, contractors and third parties equally. Workers, both hired by the Company and by third parties, can remain as long as they respect both instruments and applicable laws and regulations. These measures are reinforced in work contracts signed with contracting and subcontracting companies, which stipulate the compliance with all applicable and current labor, environmental and OHS laws and standards in each country in which STILER performs its activities.

4.2.f Supply chain

STILER’s Code of Ethics prohibits all forms of child or forced labor, as well as the purchase of any product or the contracting of any service that employs it. Such code establishes that subcontracts and outsourced services must prevent risks and perform safe management of their activities and compliance with applicable labor regulations.

In this regard, all suppliers are selected following a process with stringent tax, competition, professionalism and quality regulations. Thus, although all inputs and materials used in the development of the Project will come from formally incorporated domestic and foreign companies, thus minimizing the labor risks inherent in the supply chain, the Environmental Management Manager, in coordination with

the Environmental Management Head, will evaluate the environmental performance of the suppliers associated with the materials and services bearing environmental requirements, simultaneously with the general evaluation of suppliers and subcontracts managed by the Procurement Head.

4.3 Resource efficiency and pollution prevention

4.3.a Resource efficiency

4.3.a.i Greenhouse gases

STILER is aware of its responsibility in the fight against climate change and in sustainable development. In this sense, as part of the IMS, it sets the business commitment to save energy and control air emissions by optimizing electric power use and decreasing the consumption of fuels by its vehicle fleet used to transport equipment and machinery, and its customer service and care activities.

However, STILER will perform an annual GHG emission inventory of its operations, quantifying the direct emissions from the use of fuel (Scope 1), the indirect emissions from electricity consumption (Scope 2) and those coming from the transportation of services contracted from third parties –for instance, transporting equipment and machinery, materials and goods acquired from their supply chain– (Scope 3), using the methodology created by the Greenhouse Gas Protocol Initiative²⁶ (“GHG PI”). The variation in the outcome as detected when compared to the baseline year (first full year of records) will be informed annually as well, together with an explanation of the causes.

4.3.a.ii Alignment with the Paris Agreement

Based on the analysis performed pursuant to the IDB Group’s Paris Alignment Implementation Approach²⁷ (“PAIA”), the Project is deemed aligned with the Paris Agreement.

4.3.a.iii Water consumption

Drinking water and water for industrial use is provided either through the public municipal water supply system or through water catchments from watercourses or groundwater wells, after obtaining permits or concessions issued by the competent agencies in each country²⁸.

Regardless of the fact that the Company’s construction processes do not require high water consumption, in accordance with its environmental commitment, STILER has implemented measures, such as: (i) the substitution of obsolete or damaged water storage or distribution devices by state-of-the-art technology to reduce consumption; (ii) the implementation of leak detection programs; and (iii) water use awareness campaigns.

²⁶ The Greenhouse Gas Protocol Initiative (“GHG PI”, <https://ghgprotocol.org/>) is a multi-stakeholder partnership of businesses, non-governmental organizations (NGOs), governments, and other entities convened by the World Resources Institute (WRI), a U.S.-based environmental NGO, and the World Business Council for Sustainable Development (WBCSD), based in Geneva, Switzerland.

²⁷ https://idbinvest.org/es/sostenibilidad/acuerdo-de-paris-bid-invest?_ga=2.110751365.1241992933.1696526345-1108575330.1664225306

²⁸ The National Water Office (“DINAGUA”).

4.3.a.iv Energy

Project operations will not generate any significant increase over the historical average energy consumption values. The energy will be provided through the public grid, by virtue of a service agreement with the authorized distributor, or by self-generation in backup systems, using mainly diesel generators.

As part of its commitment to sustainability, the Company seeks to reduce its electric power consumption by: (i) progressively installing LED lighting²⁹; (ii) installing and replacing electric power equipment with more energy efficient or less energy consuming equipment; (iii) turning off any equipment not being used; (iv) installing automatic or semi-automatic controls for high-consumption equipment; (v) performing preventive maintenance tasks on equipment to improve its performance; (vi) installing motion sensors to control the switching off of lights in warehouses and offices; (vii) using natural light in as many areas as possible; and (viii) training workers on energy savings.

4.3.b Pollution prevention

4.3.b.i Waste

The Company's EMP contains an environmental operational control (EOC) for waste management, which includes the collection, classification, temporary storage, transportation and responsible disposal of solid waste that may be assimilated to urban, special and inert waste generated at the different work areas, such as work fronts, the canteen, offices, workroom areas, workshops, or material and equipment warehouses.

At present, STILER separates, classifies and temporarily stores the solid waste produced in its work sites and has authorized external managers to collect, transport and perform the final disposal of non-hazardous solid waste either for further assessment (recycling managers) or for disposal in an authorized landfill.

The EOC includes education campaigns for all Company personnel (including suppliers) on integrated waste management (reduction, reuse and recycling), as well as initiatives to classify and record waste (by weight or volume) into mixed, special and inert, as defined by environmental regulations³⁰.

STILER does not generate industrial wastewater. All its liquid effluents are considered domestic effluents and are collected by an authorized service provider (in the case of mobile toilets or chemical toilets) or piped to septic tanks or to the public sanitary sewer of each municipality for subsequent treatment.

4.3.b.ii Hazardous materials management

STILER will not generate large quantities of hazardous or special waste or transport it outside its facilities. In accordance with the Specification of Materials and Services of the Hazardous Waste Transportation and Disposal Service, hazardous waste will be managed by an authorized manager (authorized by DINACEA)³¹,

²⁹ LED stands for light emitting diode.

³⁰ Integrated Waste Management Law No. 19829.

³¹ National Environmental Quality and Assessment Office.

as established in the regulations³² governing the land transportation of hazardous materials and waste. The final disposal of hazardous solid waste removed from the work sites will be recorded in the hazardous solid waste management logbook in compliance with applicable environmental regulations³³.

4.4 Community health and safety

4.4.a Community health and safety

The new works financed by the Project will be designed and built by competent and well-known contractors having experience in the construction of these types of works (industrial, buildings and infrastructure), observing good international practices and applicable national and international construction and security guides, standards and codes. Furthermore, specific clauses were 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 area of influence of any Project.

In addition, the Company's security plans include a specific section that analyzes the methods for the protection of communities (if applicable) and neighboring facilities, as well as provisions to handle the participation of specialized staff in emergency response teams (fire, rescue and evacuation brigades), and to coordinate actions with the external authorities³⁴, when the leaks, spillages or fires exceed the limits of the Company's response.

4.4.a.i Infrastructure and equipment design and safety

STILER runs the works financed by the Project with the best applicable environmental and OHS practices. In this regard, during the construction of works and when occupied, apart from having the relevant authorizations³⁵, they must have leak and spill detection and containment equipment, fire alarm and firefighting systems, and emergency communication mechanisms in accordance with the national regulations of each country³⁶.

4.4.b Security personnel

Depending on the location and contextual risks within the area of influence of each Project property, STILER will consider the use of security and surveillance services to be provided by a specialized company (outsourced service), duly registered and governed by the law of each country in which it carries out its activities. For this purpose, the Company will make sure that the service contracts include provisions allowing it to: (i) conduct reasonable investigations to ensure that security personnel have no criminal records and have not been previously involved in cases of abuse; (ii) verify details of necessary training on the use of force; (iii) verify the restrictions and procedures used in the event that staff carry firearms; and

³² Integrated Waste Management Law No. 19829 and Decree No. 182/013, regulating section 21, General Environmental Protection Law No. 17283.

³³ Integrated Waste Management Law No. 19829 and Decree No. 182/013, regulating section 21, General Environmental Protection Law No. 17283.

³⁴ Persons or entities with technical and legal competence, such as: Civil Protection, the Red Cross, the Fire Brigade, etc.

³⁵ All buildings, with the exception of single-family homes, must obtain authorization from the National Fire Department, in order to be safely occupied.

³⁶ Loss Prevention and Defense Law No. 15896 and Decree No. 372/023 regulating Law No. 15896.

(iv) identify details of the environmental and social awareness training, including the matter of human rights.

4.5 Land acquisition and involuntary resettlement

The Company's construction works do not involve any development outside of its own land acquired through a purchase and sale agreement either private or owned by the developers to whom the Company's services are offered. Thus, it does not involve any involuntary physical or economic displacement.

4.6 Biodiversity conservation and natural habitats

Considering that the Company's construction works are mostly carried out in urban areas and highly intervened areas, no impacts on biodiversity or living natural resources are expected.

4.6.a Supply chain

STILER is aware of the need to control and influence the environmental and social impacts of its suppliers. Therefore, when it requires supplies and materials, it verifies that they have been extracted or obtained in a responsible manner and in accordance with Uruguayan legislation on biodiversity protection. In this regard, the Company has a Specification of Materials and Services for Construction Materials Extracted from Quarries, which establishes that the quarry to be exploited must have a current authorization certificate issued by the National Environmental Quality and Assessment Office ("DINACEA³⁷"), reporting to the Ministry of the Environment, for its exploitation.

Likewise, the Company will obtain its supplies mainly from distributors (for concrete and other construction materials) and from authorized local suppliers for the rest of its supplies or services, including stationery, cleaning services, transportation, etc.

4.7 Indigenous peoples

Considering that the Company's construction works are carried out mostly in urban areas, no impact on indigenous peoples' land or resources is expected.

4.8 Cultural heritage

Although the Company's construction works are located mostly in urban areas and the probability of interference with cultural heritage is extremely low, STILER, in compliance with current legislation regarding the protection of historical, cultural, archaeological and paleontological heritage, has a Findings Program within the EMP, which establishes the procedure for managing chance findings.

5 Local Access of Project Documentation

STILER offers information on the business and its commitment and values in the following website: <https://www.stiler.com.uy/nosotros>.

³⁷ Formerly, National Environmental Agency ("DINAMA").