

Classification and Environmental and Social Strategy (ESS) Roads 2 and 7 and additional works PPP - PARAGUAY

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1. Project Scope and Objective, and IDB Invest Participation

In 2016, as part of the Paraguay Public-Private Partnership Program, the Ministry of Public Works and Communications (“MOPC”, in Spanish) awarded to Consorcio Rutas del Este S.A. (the “Concessionaire” or the “Client”), composed by Sacyr (60%) and Ocho A S.A. (40%), a 30-year contract for the design, financing, construction, maintenance and operation of National Roads 2 and 7 (the “Original Project”). Subsequently, in 2025, the Original Project was revised through an amendment to the contract in force between the Client and MOPC in order to incorporate ten new stretches and connect Road PY 02 with the city of Asunción (the “Project”) by means of two branches: i) Road PY 02 – Areguá – Luque branch, running along 32.42 km; and ii) Luque – San Bernardino – Road PY 02 branch, extending along 28.98 km.

The stretches mentioned above are as follows: i) Stretch 8, running along 2.40 km from progressive (“PK”, in Spanish) PK 0+000 to PK 2+400 of Road PY 02 – Areguá - Luque branch, fully located in the municipality of Ypacaraí; ii) Stretch 9, running along 10 km (PK 2+400 to PK 12+400), in the municipalities of Ypacaraí, Itaiguá and Areguá; iii) Stretch 10.1, running along 4.50 km (PK 12+400 to PK 16+900), fully located in the municipality of Areguá; iv) Stretch 10.2, running along 5.00 km (PK 16+900 to PK 21+900), located in the municipality of Areguá; v) Stretch 10.3, running along 5.22 km (PK 21+900 to PK 27+115), located in the municipalities of Areguá and Luque; vi) Stretch 11, running along 3.64 km (PK 27+115 to PK 30+750), located in the municipality of Luque comprising a raised structure to house a tramway system and the projected roadway over it; vii) Stretch 12, running along 2 km (PK 30+720 to PK 32+420), located in the municipality of Luque; viii) Stretch 13, running along 3.20 km (PK 0+000 to PK 3+200 of the Luque – San Bernardino – Road PY 02 branch), located in the municipality of Luque; ix) Stretch 14, running along 21.08 km (PK 3+200 to PK 24+280 of the second branch); and x) Stretch 16 (phases 1 y 2), running along 4.70 km (PK 30+860 to PK 35+560 of the second branch).

The Project will transform the existing road between the cities of Ypacaraí, Areguá and Luque into a high-capacity corridor by either widening the existing road or by building bypasses that will allow heavy and long-distance traffic to be diverted away from densely populated urban areas. Its design comprises a three-lane layout in each direction from Ypacaraí to the San Bernardino junction, and a four-lane dual carriageway from this junction to its connection with the city of Asunción. It also includes the optimization of the urban stretch of San Bernardino, including pothole patching, cleaning, curb repairs, signaling and traffic management.

The Project Pre-construction Phase (site preparation, right-of-way clearance and resource mobilization) has been initiated and is estimated to last 3 months. Once it is completed, the Construction Phase will begin for a term of about 30 months, with a tentative start date set for the third quarter of 2025. After

completion of the Construction Phase, the road will enter the Operation and Maintenance Phase, which will continue uninterrupted until 2047.

2. Classification and Environmental and Social Strategy

The Project has been pre-classified in Category A, in accordance with IDB Invest's Environmental and Social Sustainability Policy because it generate the following environmental and social impacts and risks: i) dust and gas generation; ii) increase in noise levels due to the use of heavy machinery and increase in traffic; iii) production of domestic and industrial wastewater; iv) compacting of surfaces due to machinery traffic; v) potential soil pollution; vi) generation of solid waste (excavation material, pavement debris, construction rubble, paper, wood, metallic scraps, oily rags, etc.); vii) road blocks and interruptions; viii) use of water resources; ix) removal of the vegetation cover; x) physical and economic displacement of the population due to the right of way easement; and xi) generation of expectations regarding the employment opportunities that could result from the planned activities. These impacts are deemed to have medium-high to high intensity.

To date, the Concessionaire has prepared an Environmental Impact Assessment which is awaiting approval by the Ministry of Environment and Sustainable Development (“MADES”, in Spanish).

The Environmental and Social Due Diligence (“ESDD”) process will include interviews with executives from the Concessionaire’s key areas (environmental, social, and occupational health and safety); and analyze the Environmental and Social Management System (ESMS), including the related plans and procedures; and will also assess any Project social and labor information, among other considerations. As a result of the ESDD, IDB Invest will confirm the Project’s categorization, identify any potential compliance gaps in terms of the Environmental and Social Sustainability Policy and prepare an Environmental and Social Action Plan (“ESAP”) to close such gaps.

Based on the information received and reviewed so far the Performance Standards (“PS”) likely to be triggered by the Project are: PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; PS4: Community Health, Safety and Security; PS 5: Land Acquisition and Involuntary Resettlement; PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; and PS 8: Cultural Heritage. The final determination of the PS triggered by the Project will be done at the end of the ESDD.

Once the ESDD is completed, an Environmental and Social Review Summary (“ESRS”) and an ESAP will be prepared and posted on this website.

3. Additional Information

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In addition, and as a last resort, affected communities can access IDB Invest's Independent Consultation and Investigation Mechanism (ICIM) as follows:

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