

Environmental and Social Review Summary (ESRS) Quasar Expeditions - 12279-02 - ECUADOR

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

Quasar Expeditions (the "Company", the "Client" or "Quasar") has 35 years of experience in the tourism industry, offering 7- and 15-day cruises in the Galapagos Islands, Ecuador, with two vessels: "M/Y Evolution" and "M/Y Grace". This transaction (the "Project") seeks to support the Client in expanding its operations through: (i) refurbishment, operation, and maintenance of a third 18-person vessel;¹ (ii) the construction of a new Sustainable Operations Center ("SOC") in the Tomás de Berlanga neighborhood, in Puerto Ayora, cantonal capital of Cantón Santa Cruz (on the island of the same name); and (iii) the refurbishment of its vessel Beagle, a 40-foot sailboat, into a floating restaurant and hotel, for educational and scientific use, as part of a project for the benefit of the community.

The environmental and social due diligence ("ESDD") process was based on the review of relevant environmental and social information, together with a site visit to the Client's operations. The information review included but was not limited to an analysis of the following topics: i) the Company's Environmental and Social Management System ("ESMS"); ii) environmental permits and certifications in force; iii) labor conditions; iv) occupational health and safety ("OHS") programs; v) procedures for handling hazardous and non-hazardous solid and liquid waste; and v) vessel emergency plans. The process was complemented with interviews with the Company's operational, logistics, and human resources personnel.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation under BID Invest's Environmental and Social Sustainability Policy, because during the construction phase of the SOC in Puerto Ayora it could generate, among others, the following impacts and risks: (i) disturbance of flora and fauna, due to plant cover removal; (ii) air emissions generation (particulate matter) and combustion gases (CO₂) from the operation of trucks and heavy machinery; (iii) noise and vibration generation; (iv) production of solid and liquid hazardous and non-hazardous waste; (v) increased safety and health risks for workers and the community at large;² (vi) morphological changes due to earthworks and soil compaction; and (vii) impact on water resources (from groundwater wells). Risks during the center's operating phase mainly relate to: i) the generation of non-hazardous solid and liquid waste; ii) the use of water resources (from groundwater wells) and energy (to a lesser extent, from the public network); and iii) the discharge of treated water into bodies of water for irrigation of green areas.

¹ Currently called "Galu"; after its refurbishment it will be renamed "Conservation".

² Private educational unit "Tomás de Berlanga", adjacent to the Operations Center area in Puerto Ayora.

The vessel refurbishment process³ will produce the following risks and impacts: (i) generation of air emissions (particulate matter) and combustion gases (CO₂) from diesel engines; (ii) solid and liquid hazardous and non-hazardous waste generation; (iii) impact on the safety and health of workers (crew members) and the community (passengers); (iv) increased possibility of fires; (v) possible fuel spills; and (vi) alteration of marine water quality and resulting impact on marine fauna and plankton.

These impacts and risks are deemed to be of medium-high intensity, as they are considered to be reversible and manageable using appropriate actions and technology.

The Performance Standards ("PS") triggered by the Project are: i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS2: Labor and Working Conditions; iii) PS3: Resource Efficiency and Pollution Prevention; iv) PS4: Community Health, Safety, and Security; and v) PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

The Galapagos Islands, known worldwide as the Galapagos Biosphere Reserve ("Galapagos"), are located 972 km west of the continental Pacific coast of Ecuador. The archipelago, comprising thirteen large islands (with a surface area greater than 10 km²), six medium-sized islands, and another 215 small islets and several rocky promontories of a few square meters, is located on the Equatorial Terrestrial Line. In 1959, 97% of this island territory was declared part of the Galapagos National Park⁴ ("GNP") and became Ecuador's first protected area. In 1973, the archipelago became the Province of Galapagos, whose capital is Puerto Baquerizo Moreno, located on San Cristobal Island.

In 1978, the Galapagos Islands were declared a Biosphere Reserve and a Ramsar Site by the United Nations Educational, Scientific, and Cultural Organization ("UNESCO"). Galapagos is currently considered one of the best-preserved protected areas in the world, and the conservation status of 95% of the originally recorded species is considered good.⁵ Such recognitions have also become international regulatory instruments that influence the management of protected areas.

In terms of public administration, the Government Council of the Galapagos Special Regime ("CGREG", for its acronym in Spanish) is the highest authority responsible for planning, resource management, and organization of activities on the island. It is responsible for the use and management of the province's land, in coordination with local governments,⁶ except for protected areas, which remain the responsibility of the Galapagos National Park Directorate ("GNPD").

³ The Company will operate a total of 3 vessels: i) M/Y Grace; ii) M/Y Evolution; and iii) Conservation (currently "Galu").

⁴ The GNP, which has a land area of 7,970 km² and a marine area of 138,000 km², is home to more than 7,000 endemic and native species.

⁵ <https://galapagos.gob.ec/el-parque-nacional-galapagos-celebra-sus-61-anos-como-la-primer-protogada-del-pais/>

⁶ There are three cantons in Galapagos: i) San Cristóbal, whose capital is Puerto Baquerizo Moreno; ii) Santa Cruz, whose capital is Puerto Ayora; and iii) Isabela, whose capital is Puerto Villamil.

In addition, Galapagos, due to its special conditions, is governed by Organic Law of the Special Regime of the Province of Galapagos ("LOREG", for its acronym in Spanish). The GNPD is the agency authorized by the Ministry of Environment, Water and Ecological Transition ("MAATE") to oversee and manage tourism operations in the National System of Protected Areas ("NSPA") corresponding to the islands. Furthermore, since there are no other accredited agencies within the province, the GNPD itself is responsible for environmental control and compliance in territories that are not protected areas.

Quasar, established in 1986, is a tour operator offering exclusive cruise excursions in the Galapagos Islands.⁷ The Company currently operates two vessels: the 16-passenger M/Y Grace and the 32-passenger M/Y Evolution, for a total of 48 daily quotas. It is worth mentioning that the Galapagos National Park has set a limit of 2,000 daily quotas for cruise ships. The new vessel to be operated, the Conservation, will add 18 passengers to Quasar's current passenger capacity.

The Company operates a sustainable business model through its selective alliances with the Galapagos National Park, the Charles Darwin Foundation,⁸ the World Wildlife Fund ("WWF"), and different Ecuadorian organizations whose mission is to conserve the natural ecosystem of the Galapagos and its local culture, communities, and idiosyncrasies. Since its inception, Quasar has provided its services to more than 75,000 travelers; it has three licenses to operate cruise ships in the GNP; and it has a team of qualified tour guides. It has also won the prestigious Travel & Leisure World's Best⁹ award twice, along with other important awards.¹⁰

3.2 Contextual Risks

Tourism is the main economic activity in the Galapagos Islands and is the engine of the local economy, generating: i) monetary flows in the archipelago; ii) the demand for goods and services needed to sustain economic activities; and iii) associated or indirect jobs. However, local residents' activities generate demands for water, food, and energy (fuels and electricity) that are almost double those required by tourism activities. The local population also generates large amounts of solid and liquid waste and contributes to the growth of urban areas, with the resulting impact on natural ecosystems.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Assessment and Management System

⁷ <https://www.quasarex.com/galapagos/my-grace> and <https://www.quasarex.com/galapagos/mv-evolution>

⁸ <https://www.darwinfoundation.org/en/>

⁹ Award granted by Travel + Leisure magazine to the best tour operators.

¹⁰ Conde Nast, Lux Magazine Global, Afar Traveler's Choice.

Through its environmental permits, the Company has Environmental Management Plans ("EMPs") that contain the following programs: i) Impact Prevention and Mitigation Plan; ii) Waste Management Plan; iii) Emergency and Contingency Plan; iv) Community Relations Plan and; v) Monitoring Plan. Nevertheless, the Client currently lacks a management system to ensure the correct implementation of its EMPs. Accordingly, it will develop a proposal for, and subsequently implement, an environmental and social management system ("ESMS") appropriate to the size and extent of its operations, in order to manage the risks and impacts arising from its marine and land operations.

4.1.b Policy

The Client has a General Sustainability Policy that includes the following policies: i) Operating Permit Verification; ii) Sustainable Tourism in Supplier Contracting; iii) Transportation and Carrier Contracting; iv) Guide Contracting; v) Lodging Services Contracting; vi) Food and Beverage Services Contracting; and vii) Supplier Performance Evaluation. The Company also has other policies, such as: i) Human Resources; ii) Technology and Innovation; iii) Supplier Contracting; iv) Customer Service; and v) Security.

4.1.c Identification of Risks and Impacts

The Client has Environmental Impact Assessments ("EIAs") that identify the risks and impacts generated by its operations. The Company has also obtained the corresponding environmental permits to conduct its operations within the GNP. In this regard, it has currently obtained the three Environmental Licenses required for the cruise ships it uses in its operations.

Nevertheless, prior to the entry into operation of the vessel currently called "Galú", which will later be called "Conservation", it will obtain and hold the corresponding environmental permits issued by the GNPD. For this purpose, it will also obtain the corresponding Environmental License by submitting and approving the EIA and its respective EMP. Once this has been achieved, it must submit Annual Compliance Reports ("ACRs") and Environmental Compliance Audits ("ECAs"). It should be noted that there is no need to manage an Operating Agreement for this vessel, since the client has an Agreement that has not been used to date.

As required by the 2021 amendment to the LOREG,¹¹ the Company has signed tourism operation contracts with the CGREG, valid for 20 years, as a requirement to obtain the annual tourism operating license granted by the environmental authority for its three corporate names.¹² This license allows it to conduct tourism operations within the Galapagos Marine Reserve under the modality of a Navigable Cruise Tour.¹³ For access to the protected natural areas that comprise the

¹¹ Fourth Transitory Provision of the LOREG, superseded by Article 116 of the Organic Law for Economic Development and Fiscal Sustainability following the COVID-19 Pandemic, published in the Third Supplement to Official Gazette No. 587 of November 29, 2021.

¹² To date, it has three signed Tourism Operating Permit Agreements: Iguanatours Cruceros-Maritimes S.A. (Beagle vessel, 18 passengers, not operational), Galpacific Tours S.A. (M/V Evolution vessel with 32 passengers) and Beaglelogistics CIA Ltda. (M/Y Grace vessel with 16 passengers).

¹³ Under this modality, a maximum of 16 passengers are allowed for each permit and tourism operations vessel under the provisions of the SPECIAL REGULATIONS FOR TOURISM IN PROTECTED NATURAL AREAS, Executive Decree 827, Supplementary Official Register 672 of 19-Jan.-2016.

Network of Ecotourism Public Use Sites of the Province of Galapagos, the Company has Specialized Tourist Guides accredited by the GNPD.

The Company has an Occupational Risk Assessment Matrix¹⁴ applicable to all job positions, which, upon identification of a risk, establishes an action plan with control measures, responsible parties, and follow-up and verification. This procedure will be extended to the activities of the Contractor and Subcontractors that will be hired for the refurbishment and conversion of the new vessel (most likely the Maridueña shipyard,¹⁵ in Guayaquil).

The land for the SOC, owned by the Client, has an area of 20,000 m²; it is in an area within the urban limit of Puerto Ayora,¹⁶ with no defined land use. Although the lot is not fenced, there are no buildings on it and no people are currently living there. There is, however, abundant medium and high plant cover, characteristic of the transition zone¹⁷ (located between the arid zone, closer to the coast, and the humid zone of the higher areas of the islands), where both endemic¹⁸ and introduced¹⁹ flora species have been observed. The Client will therefore conduct a qualitative and quantitative environmental assessment in order to: i) determine the amount of forest resource to be harvested; ii) generate a flora and fauna baseline; iii) identify the environmental and social impacts and risks that may be generated during the construction and operation of the SOC; iv) develop and subsequently implement an EMP;²⁰ v) produce a Monitoring Plan for the measures contained in the EMP; and vi) conduct a stakeholder consultation and participation process.

It's worth to point that the preparation of an Environmental and Social Impact Assessment (ESIA) is not a legal requirement of the GNPD. However, the client shall also obtain a construction permit and other permits required²¹ by the Autonomous Decentralized Government ("ADG") of the Municipality of Santa Cruz.

4.1.c.i Analysis of Alternatives

The refurbishment of the vessel "Galu" will allow the Client to: (i) optimize diesel consumption and minimize pollution using new state-of-the-art Caterpillar engines,²² and (ii) minimize noise and water pollution using outboard electric motors on its landing rafts ("*pangas*").

The Client has proposed an alternative use of the "Beagle" vessel, currently out of operation, to support and educate the local community on the challenges faced by the Galapagos Islands.²³

¹⁴ Corresponding to GALANAUTICA S.A.

¹⁵ <https://www.astilleromaridueña.com.ec/>

¹⁶ <http://www.gadsantacruz.gob.ec/gadmssc/ordenanzas-y-resoluciones/ordenanzas-del-concejo/>

¹⁷ https://ecuadorgalapagosinfo.com/flora-fauna-galapagos/plantas/#Zona_de_transicion

¹⁸ Possibly "*Scalesia*".

¹⁹ Possibly cedar ("*Cedrela odorata*").

²⁰ The EMP will include: i) management measures for the endemic flora species that will be affected; ii) reforestation measures to compensate for native species felled; iii) measures for the rescue and relocation of native fauna species; iv) an occupational health and safety plan; v) a traffic management plan; vi) an evaluation of water resource availability and electricity self-generation; and vii) solid and liquid waste management measures.

²¹ Directorate of Environment and Directorate of Urbanism and Land Management.

²² Cummins engine model X15 - compliant with U.S. EPA Tier 3, European Union (EU) Stage 3a Emissions Regulations and IMO Tier II.

²³ The vessel will be used as a floating hotel and restaurant, where students of School of Hospitality and Tourism Services of the "Galapagos National Educational Unit" at Puerto Ayora will receive training on best practices in hospitality and nautical management.

The location of the COS was defined by the following criteria: i) the land was acquired by the client many years ago; ii) it is located within the urban perimeter of Puerto Ayora, which implies that it will not impact protected areas; and iii) will not require additional water or energy resources from the ADG.

4.1.c.ii Gender Risks

Quasar has adopted "The Women's Empowerment Principles" ("WEP")²⁴ to empower women in the workplace, markets, and community, and to promote equality between men and women. In this regard, through its virtual platform, it has created a Network of Principles for the Empowerment of Women. Thus, following its 2021 self-diagnosis, the Client is currently evaluating its policies and practices in order to develop a "Gender Equity Strategy" to be adopted in its operations.

As of 2021, the Company had a total of 85 employees, of which 23 (27%) were women. Of these, 5 (6%) hold managerial and middle management positions, and 18 (21%) hold operational positions.

4.1.c.iii Climate Change Exposure

The Project has moderate exposure to drought and high exposure to changes in precipitation patterns. Moreover, the environment surrounding new infrastructure, ports, and landing sites is highly exposed to rising sea levels.

Like all tourism operators in Galapagos, the Client's activities are directly and indirectly impacted by climate change, mainly through difficulties in accessing water in the event of drought and the possibility of tours in the islands being suspended due to heavy rainfall.

In view of the above, the Company will: i) review and adapt its emergency preparedness and response systems to mitigate the risk of exposure to sudden or permanent sea level rise, and ii) strengthen coordination and communication with the national tsunami warning system.

4.1.d Management Programs

The Environmental Management Plans ("EMPs") being implemented by the Company contain the following sub-plans: i) Impact Prevention and Mitigation Plan; ii) Waste Management Plan; iii) Training Plan; iv) Community Relations Plan; v) Occupational Health and Safety Plan; vi) Remediation Plan; and vii) Monitoring Plan, through which the Company follows up on and controls its water, air, soil, and noise emissions.

4.1.e Organizational Capacity and Competency

The Company's management of environmental and social ("E&S") issues is distributed in 2 positions: i) Human Resources ("HR") Management, responsible for HR and occupational risk prevention issues; and ii) Operations Management, based in Galapagos, responsible for operational

²⁴ These principles are the result of a partnership between the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the United Nations Global Compact.

management and E&S issues. Both positions report directly to the President of the Company. Quasar also has a medical position on the M/Y Evolution and is supported by the occupational medical services of a specialized company for onshore personnel at the Company's offices in Puerto Ayora, its current operations hub.

Given the growth of the Company and to implement the ESMS, the Client will appoint a person with exclusive responsibilities for the Company's environmental and social management and performance.

4.1.f Emergency Preparedness and Response

The cruise ships operate as required by the Isthmus Bureau of Shipping (IBS) and the International Convention for the Safety of Life at Sea ("SOLAS") and have a continuous satellite monitoring system controlled by the GNPD. Each vessel has Emergency and Contingency Plans.

4.1.g Monitoring and Review

As part of the obligations required by its environmental permits in force, the Company conducts Environmental Compliance Audits ("ECAs") every 3 years. Nevertheless, it also submits Annual Compliance Reports ("ACRs") on an annual basis, presenting the means of verification of the actions contained in its EMPs.

The Company conducts annual environmental monitoring of the vessels M/V Evolution and M/Y Grace, focusing on the following aspects: i) domestic wastewaters (black and gray); ii) bilge water; iii) drinking water; iv) ambient noise; v) industrial noise from the engine room; and vi) air emissions (propulsion engines and onboard generators).

Regarding OHS, the Company is subject to random inspections by the Ministry of Labor.

4.1.h Stakeholder Engagement

Quasar is committed to protecting and preserving the destinations in which it operates and has aligned itself with some of the Sustainable Development Goals ("SDGs")²⁵. It has therefore supported the Charles Darwin Foundation since 1992, the Galapagos National Park since 1986, and a variety of local organizations, mainly through the program: "The Beagle, School on Board"²⁶, which consists of the following initiatives: (i) "Christmas at Sea", free daily tours for children in vulnerable situations in Santa Cruz, with the goal of providing them with an onboard experience and allowing them to experience the islands during the Christmas season; (ii) "Hands that Paint Dreams", in support of the Art Gallery of the "Galapagos Specialized Educational Unit" to promote the marketing of products made by its students (children, adolescents and young people with disabilities); iii) "Floating Restaurant," in support of the School of Hospitality and Tourism Services of the "Galapagos National Educational Unit" to strengthen the skills and knowledge of students in an onboard

²⁵ SDG 4 - Quality Education, SDG 5 - Gender Equality, SDG 8 - Decent Work and Economic Growth and SDG 17 - Partnerships to Achieve the Goals.

²⁶ Beagle, School on Board.

restaurant; and vi) "Enchanted Readings," in conjunction with the "Community Library for Galapagos and the World" (AGIPA), to promote curiosity and reading as a means of fun and knowledge in various formats in a playful, participatory space adapted to the island territory. The Company has conducted several consultation processes to obtain environmental permits for its vessels.²⁷ The Client, however, will carry out a new consultation and participation process for the activities included in the Project.

4.1.i External Communication and Grievance Mechanisms

Quasar has customer service hotlines and mailboxes in sales centers to capture quality-related complaints on board vessels. Nevertheless, to date, the Company has yet to adopt a procedure to manage external communications with its stakeholders or a mechanism to receive concerns and complaints from the community on the Company's environmental and social impacts. Quasar will therefore: i) develop a procedure and assign personnel to report to affected communities on significant risks of its actions and the corresponding action plans; ii) provide multiple channels to inform communities; iii) conduct a survey to learn what information is useful to communities; iv) report the Company's performance outcomes; v) provide statistics on the complaint resolution process; and vi) publish an annual environmental and social report following international best practices such as the Global Reporting Initiative ("GRI").

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Under Ecuadorian law, since the province of Galapagos has a Special Regime, labor regulations are governed by the Organic Law of the Special Regime of the Province of Galapagos ("LORERG"). It establishes positive discrimination in favor of employing permanent residents for the performance of works and services. The law also allows employing non-resident professionals, but only when local human resources are not available and always following the order of priority established by the employment exchange of the Government Council of the Galapagos Special Regime. Consequently, of the Company's 85 workers, 32 (38%) are permanent residents, 27 (32%) are temporary residents, and 26 (30%) are from mainland Ecuador.

4.2.a.i Human Resources Policies and Procedures

The Client has adopted the following policies: i) Human Resources;²⁸ ii) Drugs and Alcohol; iii) Employee Benefits; iv) Nepotism; and v) Use of Mail. The Company also has a series of procedures to regulate the activities required by its operations, which, among others, include: i) petty cash; ii) approval of public relations ("PR") expenses; iii) cell phone service; iv) use of airline tickets for employees in Galapagos; and v) settlement of travel expenses.

²⁷ Galpacífico, for the yacht Evolution in 2013, yacht Grace in 2009, and yacht The Beagle in 2012.

²⁸ It includes: i) Joining the Company; ii) Policy for Review and Socialization of the Company's Competencies Manual; iii) Policy for Review and Socialization of the Company's Procedures Manual; iv) Training and Development Policy; v) Compensation Policy; vi) Performance Evaluation Policy; vii) Work Life Quality Policy; viii) Termination Policy; and ix) Social and Environmental Awareness Policy.

4.2.a.ii Working Conditions and Terms of Employment

Quasar has an Internal Labor Regulation ("ILR")²⁹ that allows it to regulate its working relationship with its employees and promote compliance with all of their rights and duties. Among others, the ILR establishes guidelines for: (i) personnel selection and hiring; (ii) employment contracts; (iii) working days and hours; (iv) paid annual leave and paid and unpaid leaves of absence; (v) provision of uniforms; (vi) remuneration and withholdings; (v) prohibition of harassment and discrimination; (vi) use of information technology; (vii) disciplinary regime; (viii) termination of the employment contract; (ix) inclusion and equity; (x) prohibition of forced or child labor; and (x) occupational health and safety standards.

Quasar also has a Training Plan for all Company personnel, which includes operational and administrative aspects related to: i) the use of machines; ii) operations;³⁰ iii) leadership; iv) systems; v) accounting; vi) maintenance; vii) human resources; viii) procurement; and ix) legal refresher training. It also allocates a specific budget for each of the subjects to be taught to its employees and provides its workers with private insurance coverage throughout the country (insular and continental Ecuador).

It should be noted that in 2020, the Company was the subject of labor lawsuits from 18 former employees, who were terminated at the beginning of the pandemic period. To date, these lawsuits remain unsettled.

4.2.a.iii Workers' Organizations

The Company, as required by national legislation, including the conventions³¹ signed between Ecuador and the International Labor Organization ("ILO"), recognizes the right of workers to form and be part of labor organizations. Nevertheless, to date, there are no labor organizations operating in the Company.

4.2.a.iv Non-discrimination and Equal Opportunity

The Company, complying with national legislation, including the conventions³² signed between Ecuador and the International Labor Organization ("ILO"), and the provisions of its ILR, is committed to providing a workplace free of discrimination and harassment to its workers, whether because of their race, color, religion, sex, nationality, age, disability.

4.2.a.v Grievance Mechanism

²⁹ ILR approved by the Ministry of Labor, one for each of its companies.

³⁰ Advanced refrigeration, industrial, scientific, and medical ("ISM") radio band management system practices, English language improvement.

³¹ 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.

³² Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation.

As part of its continuous improvement process, the Company conducts quarterly surveys of its employees to monitor their well-being. Nevertheless, the Client will develop a procedure by which direct and indirect workers can make inquiries, express concerns, or submit formal complaints, including: i) the forms for capturing complaints and grievances (phone number, website and email address); ii) the maximum time limit for responding to complaints; iii) the appointment of a worker or team to receive, record, validate, investigate, and determine alternative solutions to complaints; and iv) the guidelines for following up, documenting, and communicating responses to workers.

4.2.b Protecting the Workforce

Abiding by the regulations in force, the international agreements and conventions³³ of the ILO ratified by the country, and the ILR, the Company prohibits all types of work for minors under fifteen years of age. The ESDD, however, despite Ecuadorian law allowing adolescents over the age of 15 to be hired as long as the workday does not exceed six hours a day and thirty hours a week and their employment does not limit their right to education, did not observe child labor or forced labor.

4.2.c Occupational Health and Safety

The Client has a Corporate Health and Safety Regulation (CHSR)³⁴ that contains guidelines for: i) risk identification and evaluation by job position; ii) occupational risk control; iii) employee promotion and training; and iv) accident rates, absenteeism, and statistical evaluation.

The Client, as required by the regulations in force, has formed its Joint Health and Safety Committee, which is formed by employees (3) and Company personnel (3), with their respective alternates. This committee is responsible for: i) monitoring compliance with the CHSR; ii) conducting inspections of the facilities; iii) learning the results of occupational accident investigations conducted by third parties; iv) cooperating and conducting risk prevention campaigns; and v) meet on a monthly basis.

Quasar, based on its risk identification by job position, performs the following occupational risk factor measurements: i) psychosocial; ii) ergonomic; and iii) occupational noise. The Client has a specific OHS program that seeks to strengthen and reinforce knowledge through: i) job-specific risk training; ii) health education programs; and iii) personnel evaluations. The Company's occupational physician is in charge of implementing the Plan.

4.2.d Provisions for People with Disabilities

The ILR, which specifies employee rights, duties, and prohibitions, refers to the non-discrimination of personnel with disabilities. Work at sea, however, is considered high-risk, so persons with disabilities are not employed on the vessels.³⁵

³³ Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor; Convention No. 138 concerning Minimum Age for Admission to Employment; Convention No. 029 concerning Forced or Compulsory Labor; Convention No. 105 concerning the Abolition of Forced Labor.

³⁴ Corresponding to BEAGLELOGISTICS. Approved in May 2019, pending approval updated to the year 2022. The CHSRs for Galpacifico Turs S.A. and Cerro Azul S.A.S. will be submitted to the Ministry of Labor for approval.

³⁵ Agreement No. MDT-2018-0175: Instructions regulating the percentage labor inclusion of persons with disabilities.

4.2.e Workers Engaged by Third Parties

The Company has specific policies to manage its suppliers. The CHSR defines the duties of contractors, subcontractors, inspectors, and others, which include compliance with labor regulations and the need for each labor supplier to have a CHSR approved by the competent authority,³⁶ to provide training to its workers on the main risks to which they are exposed, and to have certificates of labor competencies, if applicable.

It should be noted that, due to the nature of the business, contracts for maintenance and refurbishing³⁷ of the vessels are only in effect for the Maridueña Shipyard in Guayaquil, and for the construction of the SOC (which will be executed under a "turnkey" contract).

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

Quasar implements ongoing actions aimed at reducing its ecological footprint in the fragile ecosystem of the Galapagos Islands. The Company has a zero single-use plastics and carbon neutral policy in place for all its operations. It also seeks to transition to clean energy throughout its fleet. The refurbishment of the M/Y Conservation vessel foreseen in the Project will optimize diesel consumption and minimize pollution through the use of state-of-the-art Caterpillar engines; minimize ambient noise; and prevent seawater pollution through the use of outboard electric motors on excursions.³⁸

To date, the Company does not quantify the Project's direct and indirect CO₂ equivalent emissions. Although an estimated generation of less than 25,000 tons of CO₂ per year is expected, Quasar will quantify the annual greenhouse gas (GHG) emissions (Scopes 1, 2 and 3) derived from its operation.

The SOC in Galapagos will run entirely on solar energy and will purify and recycle the fresh water used in operations through a water processing plant. Once the Project has been implemented, however, the Client will: i) quantify the water consumption of both its vessels and the SOC; ii) establish management indicators to reduce water consumption; and iii) monitor and record annual performance with respect to the water demand of its operations.

4.3.b Pollution Prevention

Since the Company's operations take place in a Particularly Sensitive Sea Area³⁹ ("PSSA"), so designated by the International Maritime Organization ("IMO"),⁴⁰ the Client applies the regulations of the Maritime Administration of Ecuador for vessels under its registry, which adopt the provisions

³⁶ Ministry of Labor of Ecuador.

³⁷ Eventually, certain jobs not available at the shipyard will be contracted directly, for which the contractor is required to be affiliated with the Ecuadorian Social Security Institute (ESS) and to provide Personal Protective Equipment (PPE).

³⁸ The vessel will be adapted for the installation and use of electric motors; however, their use will be conditioned to the availability of power in the Galapagos Islands.

³⁹ PARTICULARLY SENSITIVE SEA AREA (PSSA) Area of special protection, due to its ecological, socioeconomic, and scientific importance, which is vulnerable to national and international maritime traffic.

⁴⁰ The Galapagos Archipelago, since 2005.

of the International Convention for the Prevention of Marine Pollution from Ships (MARPOL)⁴¹ and establish the mandatory provisions for vessels within the Galapagos PSSA. These measures apply to the management of: i) wastewater⁴² from ships; ii) garbage;⁴³ iii) air pollution, energy efficiency, and GHG emission reductions; iv) chemical pollution;⁴⁴ and v) operational oil pollution.⁴⁵

The dumping of any type of waste into the sea is prohibited in the Galapagos PSSA. Only organic waste not contaminated with any other type of waste is allowed to be unloaded while the vessel is in route: no less than 3 nautical miles from the coast for shredded organic waste (so that it can pass through screens with a maximum mesh opening of 25 mm) and no less than 12 nautical miles from the coast for unshredded organic waste.

For the above, the Company has a Waste Management Plan ("WMP") based on Appendix V of MARPOL 73/78⁴⁶ and approved by the Maritime Administration of Ecuador (Ecuadorian Navy) for each of its vessels.⁴⁷ WMPs include procedures for the collection, treatment, storage, and disposal of solid and liquid waste on board, as well as the definition of responsibilities for: i) the development of individual WMPs (the shipowner or operator); ii) their implementation (the Captain and crew); and iii) their updating (the Captain). The document remains on board and is revised as necessary to meet MARPOL updates. Quasar will also prepare, approve and implement a WMP for the operation of the "Conservation" vessel.

The WMP classifies waste into 5 processes (navigation, maintenance, accommodation, excursion, and operation). Waste is classified as: (i) inorganic, (ii) organic; (iii) non-recyclable; (v) toxic; and (vi) electronic. Finally, all waste handling operations (discharge or incineration, including discharge at sea, at reception facilities or on other vessels; and accidental losses, if any) are recorded in the Garbage Register⁴⁸ document, which is kept on board the vessels.

It is important to note that the WMP includes procedures for action in the event of accidents as per regulation 7 of MARPOL Appendix V.

Chapter VII of the Ordinance for the Integral Management of Waste and Residues in the Santa Cruz Canton regulates the disposal of waste and residues produced by all vessels operating within the Galapagos Marine Reserve. Accordingly,⁴⁹ the Client carries out on-board: i) temporary storage of

⁴¹ [Pollution prevention \(imo.org\)](http://www.imo.org)

⁴² Black and gray waters.

⁴³ Solid waste.

⁴⁴ Not applicable to Quasar, since the discharge of bilge or ballast water or other waste or mixtures containing hazardous chemicals is not subject to any MARPOL Appendix II requirements.

⁴⁵ Applies to Quasar bilge water management.

⁴⁶ [Prevention of pollution by garbage from ships \(imo.org\)](http://www.imo.org), Regulation 10 of Marpol 73/78 Appendix V.

⁴⁷ These are: i) WMP for the yacht "Grace", approved in May 2012 for "Iguana Tours Cruceros Marítimos S.A."; ii) WMP for the "M/V Evolution", approved in July 2009 for "Galpacifico Turs S.A."; and iii) WMP for the MS "The Beagle", approved in August 2008 for "Iguana Tours Cruceros Marítimos S.A.".

⁴⁸ The Record of Garbage discharge details the following: (i) date and time; (ii) location of vessel or port of onshore discharge or name of vessel if discharge is to another vessel; (iii) category; (iv) estimated quantity discharged (at sea and at the reception facility); (v) estimated quantity incinerated (m³); (vi) remarks (start/end time and location of incineration; (vii) general remarks); and (viii) certification/signature.

⁴⁹ GNPD Resolution No. 0000034 of May 11, 2018.

hazardous and non-hazardous solid waste;⁵⁰ ii) segregation by type of waste; and iii) storage of waste in wooden crates. Once on land, hazardous waste is sent to a qualified waste management company for transportation, treatment, and final disposal on the mainland (Guayaquil).⁵¹ Organic waste from vessels is managed in accordance with the WMP and waste generated at the SOC will be delivered daily to the ADG for disposal in the landfill.

It should be noted that since 2018,⁵² the use of non-recyclable plastics has been restricted in Galapagos as a measure to curb the impacts of plastic and microplastic pollution on the islands.⁵³

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The Company has implemented COVID 19 infection prevention protocols for its administrative and operating personnel, as well as for its customers on board. To this end, specific functions were assigned from top management, through middle management to operating personnel to ensure compliance with the protocols approved by the Ministry of Tourism and the corresponding regulatory and sanitary control agencies.

In addition, to support the Galapagos community during the COVID 19 pandemic, the Company carried out the following actions: i) provided biosafety supplies and equipment; ii) managed access to vaccines; iii) provided hotel supplies and biosafety materials and equipment for the refurbishment of the isolation center for critical patients; and iv) provided lodging at the Company's facilities for front-line medical brigades.

4.4.a.i Infrastructure and Equipment Design and Safety

The Project involves the completion and refurbishment of the 18-passenger ship "Conservation", which will be fitted with more efficient engines to optimize diesel consumption and minimize air emissions and noise pollution. It also includes the construction of the Sustainable Operations Center (COS), designed to produce its own energy, optimize the use of natural resources, and minimize the impact on the local territory. The center will include an eco-efficient office building, built on plinths to minimize impact on the local terrain, a solar photovoltaic power plant to power 100% of its ground operations, and a wastewater treatment plant (WWTP) to reuse effluent for landscape irrigation.

Despite the above, in order to mitigate the risks of impacts to the health, safety, and security of the community during the construction stage of the SOC, the Company will develop and implement an Environmental Management Plan ("EMP"), consisting of at least the following plans: i) prevention, mitigation, remediation, and compensation of environmental impacts and aspects; ii) hazardous and

⁵⁰ The operators of each vessel are registered as hazardous waste generators.

⁵¹ There is no qualified manager in Galapagos to date.

⁵² Resolution No. 05-CGREG-2015 and other applicable regulations, which are mandatory, restricting the use of plastics of the following types: straws, T-shirt type sleeve, polyethylene containers, and non-returnable plastic bottles.

⁵³ <https://www.sciencedirect.com/science/article/pii/S0048969721027753?via%3Dihub>

non-hazardous waste management; iii) occupational health and safety; iv) communication, training, and environmental education; v) stakeholder engagement and community relations; vi) contingencies and emergency response; vii) monitoring and follow-up; and; viii) closure and abandonment of the area.

Likewise, the design of the SOC will include: i) a firefighting system designed and built by qualified and NFPA⁵⁴ certified professionals, as well as approved by the GNPD or the competent authority; and ii) an anti-seismic structure that minimizes damage in the event of earthquakes and volcanic activity.

4.4.b Security Personnel

As of the date of the ESDD, the customer has no security services contracts.

4.5 Biodiversity Conservation and Sustainable Management of Living Natural Resources

4.5.a Protection and Conservation of Biodiversity

Galapagos has a variety of pristine ecosystems, unique in the world, containing more than 7,000 species of native and endemic plants and animals.⁵⁵ These may include: i) Galapagos or giant tortoises (*Chelonoidis microphyes*); ii) sea turtles (*Chelonioides sp.*); iii) blue-footed boobies (*Sula nebouxi*) and red-footed boobies (*Sula sula*); iv) albatrosses (*Diomedidae sp.*); v) Cormorants (*Phalacrocorax sp.*); vi) marine iguanas (*Amblyrhynchus cristatus*) and land iguanas (*Conolophus sp.*); vii) South American sea lions (*Otaria flavescens*); and viii) great hammerhead sharks (*Sphyrna mokarran*). Moreover, there are 37 species included in the 3 appendices of the Convention on International Trade in Endangered Species of Wild Fauna and Flora ("CITES"): 7 in Appendix I (highly endangered species); 29 in Appendix 2 (species that may soon become endangered) and 1 in Appendix 3 (listed by requirement of a party).

4.5.a.i Legally Protected Areas and Internationally Recognized Areas

Quasar's maritime tourism operations are conducted in a legally protected and internationally recognized area; in 4 categories: i) Galapagos National Park (GNP)⁵⁶; ii) Galapagos Marine Reserve⁵⁷; iii) Biosphere Reserve⁵⁸; and iv) World Heritage⁵⁹.

⁵⁴ National Fire Protection Agency.

⁵⁵ The study of these species led the English natural scientist, botanist, and geologist Charles Robert Darwin to establish his theory of evolution, described in the book "The Origin of Species", published on November 24, 1859, and considered the foundation of today's evolutionary biology.

⁵⁶ [Parque Nacional Galápagos – Parque Nacional Galápagos \(galapagos.gob.ec\)](http://galapagos.gob.ec)

⁵⁷ [Reserva Marina – Parque Nacional Galápagos \(galapagos.gob.ec\)](http://galapagos.gob.ec)

⁵⁸ [Galapagos Biosphere Reserve, Ecuador \(unesco.org\)](http://unesco.org)

⁵⁹ [Galápagos Islands - UNESCO World Heritage Centre](http://unesco.org)

On the other hand, the land planned for the implementation of the SOC is located in an area with a highly disturbed habitat (modified habitat), located in the Impact Reduction Zone,⁶⁰ according to the zoning for land use planning implemented by the GNPD, which divides the GNP according to its conservation status and its capacity to support certain human activities.

Nevertheless, the Client will implement the following measures for the protection and conservation of the fauna and flora of the area in question: i) the development of an environmental impact study that includes risk and impact identification; ii) the determination of measures to minimize the effects on biodiversity; and iii) the implementation of the corresponding mitigation measures.

Moreover, the Client will: i) prove that the proposed Project is legally authorized; ii) implement all mitigation and environmental management measures determined by the GNPD; iii) conduct public consultation with all stakeholders, including the GNPD authorities, the community in the area of direct influence, and other stakeholders in the protected area; and iv) implement additional programs to promote and enhance the conservation goals and effective management of the area.

4.5.a.ii Invasive Alien Species

In 2007, the United Nations Educational, Scientific and Cultural Organization (“UNESCO”) declared Galapagos at risk due to: i) population increase; and 2) invasive alien species of both flora and fauna introduction⁶¹. Therefore, to avoid that their tourist activity contributes to the entry of exogenous species to the islands, Quasar complies with the applicable regulations⁶² and the specific regulations of the Agency for Regulation and Control of Biosafety and Quarantine for Galapagos (“ABG”)⁶³ on products and by-products of vegetable and animal origin approved for transport to the Galapagos.

The client implements the following applicable measures for the entry of food loads for consumption on-board: i) ABG inspection at the place of loading and unloading; ii) declaration to the ABG in the ports of origin and destination by means of an Affidavit of Goods⁶⁴; iii) transport in inert, resistant, clean and well-maintained packaging and containers closed; it is not transported in wooden packaging; iv) the products must be in good sanitary or phytosanitary conditions, clean, without soil, free of foreign seeds, free of insects and others organisms and microorganisms; and v) obtaining the Sanitary and/or Phytosanitary Guide if the inspection is satisfactory at the port of origin, both by air and by maritime transportation.

As for passengers, the ABG controls and inspects luggage both at the airports of origin on the mainland⁶⁵, as well as on the islands and between islands. It should be noted that Quasar vessels do

⁶⁰ These are the peripheral areas of the Galapagos National Park with a significant degree of disturbance, located adjacent to urban or agricultural areas.

⁶¹ 1,476 alien species including: 499 insects, 810 plants, 63 pathogens, 27 vertebrates, 5 marine invertebrates, 2 marine plants and 70 others, according to data from the GALAPAGOS BIOSECURITY AND QUARANTINE REGULATION AND CONTROL AGENCY (ABG).

⁶² "SPECIAL REGULATION OF TOURISM IN PROTECTED NATURAL AREAS", Executive Decree 827 published in the Official Gazette Supplement 672 of 19-Jan-2016.

⁶³ Resolution No. D-ABG-004-07-2013 published in the Official Gazette No. 92 of October 01 – 2013 and its reform by Resolution N D-ABG-024-08-2016.

⁶⁴ Art. 30 RCTEI

⁶⁵ Flights from Quito or Guayaquil to the islands of Baltra and San Cristóbal,

not offer cruises to or from the mainland, so the possibility of introducing alien species by maritime route is practically nil.

4.5.b Supply Chain

Quasar classifies its suppliers into three categories: i) by source;⁶⁶ ii) by requisition area;⁶⁷ and iii) by type.⁶⁸

The Client is developing instruments to ensure the quality standards required of its supply chain, which include a Supplier Contracting Policy that incorporates guidelines for: a) the verification of operating permits; b) the implementation of sustainable tourism; c) the contracting of transportation and carriers; d) the contracting of guides; e) the contracting of lodging services; and f) the contracting of catering services.⁶⁹

Nevertheless, it will update this Policy by including: i) a supplier selection procedure for the identification and assessment of risks of child labor or forced labor; biodiversity conservation; and the preservation of community health, safety, and security; ii) the definition of training requirements and support consultancies to strengthen the E&S management capabilities of its suppliers; iii) the definition of standards for the purchase of ecological products or the promotion of circular economy practices; and iv) the adoption of a supplier E&S evaluation methodology.

5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link: <https://www.quasarex.com/>

⁶⁶ Local, in the Galapagos and mainland Ecuador; and imports.

⁶⁷ Hotel and Marketing, Operations and Maintenance (O&M) and Administrative and Indirect.

⁶⁸ Goods and services.

⁶⁹ With support from the consulting firm Price Waterhouse Cooper (PwC).