

## **Environmental and Social Review Summary (ESRS)**

### **Facility to Finance Sacyr Construcción's Supply Chain – Mexico, Chile, Colombia, Paraguay and Peru**

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#### **1. Scope of the Environmental and Social Review**

IDB Invest's environmental and social review included telephone calls with Sacyr personnel in Mexico, Chile, Colombia, Paraguay and Peru, as well as with the persons responsible for the environment, sustainability, human resources, and the Company's supply chain. The review included an analysis of Sacyr's environmental and social management process and its approach to supply chain management.

The Due Diligence Process included a review of supplementary information, documentation including environmental management policies, plans, manuals, and procedures; the human resources (HR) policy; occupational health and safety (OHS) programs; information on waste management (both non-hazardous and hazardous or special management waste); monitoring and review of ambient conditions in the workplace (e.g. air emissions, noise, and effluents); and emergency response plans.

Given the nature of this financing, the review focused on: i) Sacyr's environmental and social management and labor and working conditions; and ii) the evaluation of Sacyr's supplier management programs and their fulfillment of basic environmental, social, and OHS requirements pursuant to Mexican, Chilean, Colombian, Paraguayan and Peru's laws.

#### **2. Environmental and Social Categorization and Rationale**

This is a Category B operation under the IDB Invest Environmental and Social Sustainability Policy, as its possible environmental and social (E&S) risks and impacts are, overall, limited, mostly reversible, and subject to being managed by measures that are readily available with current technologies and whose implementation is feasible within the context of the operation.

The operation triggers the following Performance Standards (PS):

- PS 1: Environmental and Social Assessment and Management System;
- PS 2: Labor and Working Conditions;
- PS 3: Pollution Prevention and Abatement; and
- PS 6: Biodiversity Conservation and Sustainable Management of Natural Resources.

#### **3. Environmental and Social Context**

Grupo Sacyr, which has operated for over 30 years in more than 30 countries, is structured into four different operating areas: (i) Sacyr Engineering and Infrastructure; (ii) Sacyr Concessions; (iii) Sacyr Services; and (iv) Sacyr Industrial ("the Sacyr Group").

Sacyr has a Global Management System that coalesces all the partial certifications of each of the companies comprising the Group. It currently has 128 internationally recognized certifications, including ISO 9001, ISO 14001, ISO 50001, ISO 27001, ISO 17025, ISO 14064, EMAS; UNE (acronym for *Una Norma Española*) standards UNE 158301, UNE 158101 and UNE 1176-7. As per its 2018 Annual Report, Sacyr Engineering and Infrastructure has certified 95.86% of its projects under Standard ISO 14001; Sacyr Services 76.57%; Sacyr Concesiones 50.48%; and Sacyr Industrial 34.17%.

Sacyr also executes Leadership in Energy and Environmental Design (LEED) and Building Research Establishment Environmental Assessment Methodology (BREEAM) certified construction projects. In 2018, it added CES HOSPITALES and GSAS DESIGN & BUILD certifications to the former, which encompassing environmental requirements that include water efficiency, energy efficiency, reuse of materials, and others.

In 2007, Sacyr subscribed to the Global Compact, an ethical commitment initiative promoted by the United Nations to implement sustainability principles to business practices. With this commitment, Sacyr Group has undertaken to support and implement the ten ethical principles that underpin this initiative, which are based on universal declarations and conventions and are grouped into four categories: (i) human rights; (ii) labor standards; (iii) environment; and (iv) the fight against corruption. This commitment is set out in its Code of Conduct and is part of its Ethical Principles.

#### **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 Environmental and Social Assessment and Management System**

Sacyr has a Quality Management and Environmental Management System (QMEMS), in accordance with ISO 9001 and ISO 14001 standards and the European Eco-Management and Audit Scheme (EMAS), which helps to identify the main environmental challenges associated with its activities, as well as the applicable legal requirements, and to define the appropriate objectives and measures to guarantee the continuous improvement of its environmental performance.

In addition, as part of its commitment to the environmental and social sustainability of some of its projects in Colombia and Peru, Sacyr has framed its activities around compliance with the Equator Principles, which are based on the performance standards of the World Bank's International Finance Corporation (IFC).

###### **4.1.b Policy**

Sacyr has a Quality, Environmental and Energy Management Policy in which the Group's senior management undertakes to protect the environment and ensure proper energy management, in addition to complying with the law, environmental and energy regulations, and the requirements to which Sacyr has subscribed concerning its environmental aspects and its key energy uses and consumption to develop its activities.

The Sacyr Group also has the following policies in relation to environmental, social and occupational health and safety performance: Climate Change Policy, Corporate Social Responsibility (CSR) Policy, Occupational Health and Safety (OHS) Policy, Information Security Policy, among others. It also has specific procedures to manage and control the main risks inherent to its operations in terms of environmental, social, human rights, anti-corruption and bribery, and tax issues.

The dissemination of these corporate policies is the responsibility of the Group's Senior Management, which has also undertaken to continuously improve the QMEMS through regular annual reviews.

#### **4.1.c Identification of Risks and Impacts**

Through the Group's Comprehensive Risk Management System (CRMS), Sacyr maintains a catalog of the main business risks applicable at a project level, which also includes environmental, social, and corporate governance risks (commonly known as "ESG" or "sustainability" risks). This catalog helps the Group to evaluate the responsible management of its operations, including its supply chain and services.

As per the CRMS, the main ESG risks include: social initiatives that involve extraordinary investments not envisaged in the initial scope of a project; actions with local communities; adverse weather; outliers to the projects; geotechnical risks; labor conflicts; failure to comply with environmental quality and health and safety (H&S) specifications; and failure to comply with good governance guidelines.

#### **4.1.d Management Programs**

The pillars of Sacyr's Quality, Environmental and Energy Management policy include the principle of precaution applied through its environmental management system, which identifies environmental risks/threats and risks/opportunities, evaluating each of them and setting up management plans that both mitigate the risks and enhance the opportunities.

As part of these management plans and to improve its environmental performance, Sacyr has implemented a series of environmental initiatives to minimize environmental risks, ensure compliance with environmental legal requirements, prevent pollution, adopt energy saving and efficiency measures, preserve biodiversity, improve waste management, and increase environmental training and awareness, among others. In 2018, expenditure and investments related to these initiatives amounted to more than 20 million euros, of which 59% corresponded to waste treatment, emissions treatment, and remediation costs and the remaining 41% to environmental prevention and management costs.

#### **4.1.e Organizational Capacity and Competency**

Sacyr has a Quality, Environment and Energy Department—a corporate service that attends to all the Group's business areas in all the countries in which it operates—which in 2018 consisted of 228 people. This group is responsible for monitoring compliance with environmental regulations; it promotes a sustainable business model that respects the environment, identifies with improving energy performance, and is committed to the fight against climate change.

In terms of health and safety, Sacyr has a Health and Safety Department (HSD), which is responsible for monitoring compliance with the Occupational Health and Safety Management System (HSMS), as well as advising Country or Area Safety Managers on the implementation of emergency preparedness and response procedures.

Regarding social issues, Sacyr's Communications Department is responsible for implementing and developing the Corporate Social Responsibility (CSR) policy.

#### **4.1.f Emergency Preparedness and Response**

Sacyr has an Emergency Preparedness and Response Procedure within the HSMS that details how to prepare, implement, and keep emergency measures up to date, depending on the activity performed at

each permanent or temporary work center. In addition to defining the roles and responsibilities at different organizational levels (from senior management to work center supervisors, subcontractors, suppliers, and collaborators), this procedure requires a Self-Protection Plan and an Emergency and Evacuation Plan—depending on the work center—containing action sheets for all emergency scenarios identified as significant during the identification, analysis, and evaluation stage to be prepared for each new project. These sheets are used to determine the tasks to be performed during an emergency and to define who performs them, when they should be performed, where they should be performed, the necessary equipment, instructions, and the required information flow.

The Country or Zone Safety Manager is responsible for managing the preparation of each work center's Emergency Plan, which must be tailored to the environment's specific conditions and the country's laws and regulations. However, the person responsible for OHS at the work center will also be in charge of implementing the Emergency and Evacuation Plan. For this, he or she shall: (i) appoint the emergency team, train it, and prepare it; (ii) implement visitor information mechanisms; (iii) provide the means and resources to execute the plan; (iv) conduct emergency drills with the frequency set forth in the reference regulations for each work center and annually for construction work; and (v) liaise with external services.

In addition, Sacyr has two specific emergency management procedures: (i) the Crisis Committee Procedure, which determines the operational phases of said Crisis Committee (Phase I, incident detection; Phase II, crisis committee formation; Phase III, needs and means assessment and incident projection; Phase IV, incident follow-up; Phase V, incident closure; and Phase VI, incident analysis); and (ii) the Environmental Emergency Response procedure, through which potential emergency situations, such as hazardous substance spills, floods and landslides, emissions from radioactive equipment, chemical product spills, toxic or flammable gas emissions or oxygen deficiency, extreme weather situations, pollution from industrial spills, among others, are identified.

#### **4.1.g Monitoring and Review**

One of Sacyr's objectives is to ensure compliance with all environmental laws. For this reason, and to avoid sanctions, the Environmental Management System plans and conducts environmental audits to ensure legal compliance by means of a systematic, objective, evidence-based review that guarantees compliance with the legal requirements applicable at each work center. A total of 657 environmental oversight visits and internal audits were conducted in 2018.

#### **4.1.h Stakeholder Engagement**

Sacyr seeks management excellence, responding to the needs of its stakeholders, adding value to society, and striving for economic and environmental sustainability. In this sense, Sacyr considers any social collective that is or could be affected by the company's operations, or that legitimately affects or could affect the company's operations, to be a stakeholder, including employees, investment analysts, the media, clients, local communities, public administrators, NGOs and other members of civil society, suppliers, and contractors.

Likewise, as part of its CSR strategy, it has developed several solidarity initiatives intended to contribute to the progress and wellbeing of the communities in which it operates. These initiatives include: (i) social-sanitary assistance; (ii) (international) development co-operation; (iii) arts and culture; (iv) the environment; (v) sports activities; and (vi) socioeconomic development of the environment.

Finally, Sacyr has generated a training and awareness program for communities where they can acquire greater knowledge about the importance of the environment and the responsibility of maintaining healthy relationships with other persons and stakeholders with an active role in the decisions and activities related to the region's growth and development.

In terms of communication with each project's social stakeholders, Sacyr holds kick-off meetings prior to the start of construction. Based on the social stakeholder identification in the Environmental Impact Studies (EIS), first contact is established, and the project's activities are communicated. Having generated this first contact, each project has a person responsible for community relations who will continue to implement and update the communication plan with the social stakeholders specific to each project.

#### **4.1.i External Communication and Grievance Mechanisms**

##### **4.1.i.i External Communications**

Sacyr considers communication to be an essential element in its operations, because it improves its organization's competitiveness and adaptability to changes in the environment, facilitates the achievement of the objectives it has set for itself, and satisfies its own information needs and those of its stakeholders. At the same time, it serves as a tool for employee motivation, commitment, responsibility, involvement, and participation, which serves to build and strengthen its corporate identity.

In keeping with this philosophy, through its Corporate Responsibility Department Sacyr maintains smooth internal and external communication channels that include printed informational bulletins, a YouTube channel with monthly videos, a TV show broadcast on local channels, videos on social media, infomercials and advertorials, and free press blurbs on local, national, and social media (Facebook, LinkedIn, Twitter, Instagram, and the Innovation blog). Sacyr uses these channels to offer relevant and transparent information on corporate environmental performance and on the progress status of ongoing works and projects, in addition to capturing its stakeholders' main concerns. Similarly, the Sacyr Group has launched a new application (APP), called Sacyr Life, to connect with its worldwide target audience and report on everything that happens in its construction, infrastructure, and service activities.

Another means of communication is through active participation in the working groups of organizations or associations dedicated to promoting sustainable development from various areas, whose objective is to discuss specific issues on sustainability in order to generate documents and standards that serve as a guide for companies in the sector. Likewise, Sacyr habitually sponsors and participates in different forums and events dedicated to promoting values related with respect and care of the environment.

##### **4.1.i.ii Grievance Mechanism for Affected Communities**

Sacyr's CSR Department has a formal mechanism to receive queries, grievances, or claims through digital communication channels such as its web page ([http://www.sacyr.com/es\\_es/contacto/default.aspx](http://www.sacyr.com/es_es/contacto/default.aspx)) and email ([rcorporativa@sacyr.com](mailto:rcorporativa@sacyr.com)). It also has a Customer Grievance Procedure, which regulates how to handle environmental grievances related to its activities filed directly by customers, environmental organizations, the affected community, and other stakeholders. During 2018, this mechanism received and analyzed nine grievances, of which seven were satisfactorily concluded during that period (five of them through remediation) and two are awaiting final resolution.

## 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

Sacyr has a Corporate Social Responsibility Policy (CSR Policy) and Corporate Social Responsibility Plans (CSR Plans) through which it reaffirms its global commitment to the societies in which it operates. The CSR policy is in line with its Code of Conduct, which sets out the principles and guidelines for behavior in accordance with the Group's values and is the cornerstone of the CSR Plans. These management instruments set forth the principles of gender equality and non-discrimination, equal opportunity, the prohibition of child labor, fair treatment, prohibition of workplace harassment and penalties for sexual harassment, a contract with suitable working conditions and terms of employment, and notice of dismissal and severance pay.

#### 4.2.a.ii Working Conditions and Terms of Employment

Sacyr fulfils the requirements of ND-2 and the labor laws of the countries where it operates through its Internal Labor Regulations (ILR) and the Remuneration Policy. These instruments set out the standards, conditions, and regulations of matters such as: personnel recruitment and hiring; working days, hours, and breaks; paid annual leave; paid and unpaid leaves of absence; flexible works schemes to promote collaboration and productivity; wages and benefits; employer and employee rights and duties; conduct expected of employees and disciplinary measures; asset security; risk prevention; and workers with disabilities, among others.

Sacyr recruits talent using transparent, confidential, and rigorous processes that ensure respect for the principles of equality and non-discrimination. These processes are governed by the principles of the Smart Recruiting (SmartRec) Model, which aims to: (i) standardize, provide rigor and objectivity, and optimize the effectiveness of recruitment processes at a global level; (ii) define core operating principles in terms of diversity and equality; and (iii) provide managers with the tools they need to properly select their team members.

As regards employee training or education, Sacyr has a training model intended to ensure the ongoing development of its employees, improving their skills and abilities and, therefore, designed to attract and retain talented personnel. Sacyr offers its employees the possibility of developing their training curriculum in an agile and accessible manner, through the online training tool "My virtual point". Thus, in 2018, it provided a total of 201,216 hours of training, 70% to men and 30% to women.

#### 4.2.a.iii Workers' Organizations

Mexico, Chile, Colombia, Paraguay and Peru, are signatories to a number of international conventions and treaties of the International Labor Organization (ILO) relating to workers' rights, including 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. In this regard, Sacyr, through its respect for freedom of association and the right to collective bargaining under the Framework Agreement initiative, supports the rights of association, trade union representation, and collective bargaining for all its employees, pursuant to each country's laws.

#### 4.2.a.iv Non-discrimination and Equal Opportunity

Again, Mexico, Chile, Colombia, Paraguay and Peru, are signatories to several ILO international conventions and treaties relating to workers' rights, including 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. Through its CSR Policy and Code of Conduct, Sacyr provides that all employees shall enjoy equal opportunity in their professional development; it also upholds the principle of non-discrimination on the basis of race, sex, ideology, nationality, language, religion, sexual orientation, or any other personal or social condition of its employees. In this regard, as part of the Code of Conduct training program, Sacyr provided training to a total of 2,297 students for a total of 4,948 hours in 2018, which included sessions on equality and non-discrimination. It thereby shows its firm commitment to ensuring that the principle of equal treatment in the workplace is respected to all intents and purposes in all the Group's companies.

Sacyr is also aware of the importance of a balanced participation of women and men in the organization's governing bodies, which is why in 2016 the Board of Directors approved a policy to select candidates for the position of director that expressly provides that by 2020 female directors shall comprise at least 30% of the total number of members of the Board of Directors.

#### 4.2.a.v Grievance Mechanism

Sacyr has a Query and Reporting Line to provide a mechanism for access to remedy or a reporting channel for all issues related to the Code of Conduct and, in general, to the Regulatory Compliance Model. This line also serves to notify or report breaches or risks related to the guidelines and conduct regulated in this code. According to the Comprehensive Report, no cases of corruption or discrimination were detected through this channel during 2018.

#### **4.2.b Protecting the Workforce**

In 2014, the Sacyr Group signed a Framework Agreement with the International Federation of Building and Woodworkers, the Workers' Commissions (CC.OO.) for Construction and Services and the General Union of Metal, Building and Allied Workers (UGT-MCA), in which it undertakes to respect and promote the principles defined in the Universal Declaration of Human Rights, the Tripartite Declaration of the International Labor Organization (ILO), the Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD), and the United Nations Global Compact.

This agreement lays down the following guidelines: (i) respect for freedom of association and the right to collective bargaining; (ii) free choice of employment; (iii) non-discrimination in employment (ILO Conventions 100 and 111); (iv) protection of migrant workers; (v) non-use of child labor (ILO Convention 138); (vi) payment of wages sufficient to live on (living wage); (vii) non-excessive use of working hours; (viii) worker health and safety; (ix) worker welfare; (x) specialized training; and (xi) employment relationship.

#### **4.2.c Occupational Health and Safety**

Sacyr has a Corporate Occupational Health and Safety (OHS) Policy as a performance model for its activities and a reference for its Occupational Health and Safety Management System (OHSMS). With these instruments, Sacyr complies with legal requirements in the area of occupational risk prevention, supported by an organizational structure led by the Health and Safety Department, support units, and external prevention services.

The internal requirements that stem from the Management System in terms of safety exceed those required by law in the countries where Sacyr operates. For this reason, the System was revised again in 2018, becoming an international action protocol based on the OHSAS 18001:2017 Standard certification.

To implement and strengthen its preventive culture, Sacyr provides regular training courses that include OHS coaching and training for its employees. During 2018, the Health and Safety Management's training team managed a total of 27,095.5 hours of training. In addition, the Prevention Manual, the General Procedures, the technical guides, the prevention sheets, and the technical notes designed to prevent occupational risks are accessible to all employees through the Sacyr portal and the in-house software PRESYV (prevention management tool).

#### **4.2.d Workers Engaged by Third Parties**

Sacyr takes the necessary measures to ensure that employees, contractors, suppliers, and collaborating companies are an active part of its OHS Policy. Sacyr has therefore implemented a specific procedure on "Business Coordination", whose foremost objectives are (i) to ensure that subcontracted workers are adequately informed about the risks to which they are exposed in their respective jobs, as well as about the protection and prevention measures that they must apply; and (ii) to ensure that subcontractors effectively assume their responsibility, taking the necessary measures and making available to their workers the appropriate means to ensure their safety.

Furthermore, through the dissemination of the OHS Policy, Sacyr seeks to guarantee its own employees, suppliers, contractors, and collaborating companies sufficient and appropriate occupational health and safety training for the successful execution of their work.

#### **4.2.e Supply Chain**

In its Code of Conduct, Sacyr states that (i) it shall not resort to child labor or incorporate into its business activity any product or service that uses it; and (ii) it shall ensure compliance with ILO provisions on child labor. The above is true for every country where it operates. In addition, through its CSR Policy linked to its Code of Conduct, Sacyr provides that its business activities will be carried out in a manner that rigorously respects human and social rights in the different supply chains and complies with the most demanding environmental and health and safety standards.

Sacyr also has a Purchasing and Contractor Management procedure that is used to control, evaluate, and qualify suppliers, contractors, and collaborators within the framework of the OHSMS.

### **4.3 Resource Efficiency and Pollution Prevention**

Through its environmental strategy, Sacyr promotes the transition to a circular economy that seeks to ensure that products, materials, and resources (water, energy, etc.) are conserved in the economic cycle for as long as possible, minimizing waste generation.

#### **4.3.a Resource Efficiency**

##### **4.3.a.i Greenhouse Gases**

Sacyr is aware of its responsibility in the fight against climate change. Accordingly, it has a Climate Change Policy that, together with the Environmental Policy, sets out the company's commitment to energy saving



and control of air emissions, as well as a business strategy related to the development of alternative energy sources.

Sacyr's commitment is manifested in specific actions, such as calculating its carbon footprint and verifying it against ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements", renewing the registration of its Carbon Footprint in the Carbon Footprint Register, and participating in the Ministry for Ecological Transition's carbon dioxide offsetting and absorption projects, as well as in measures that allow for energy savings, increased energy efficiency, and the use of renewable energies.

In 2018, Sacyr certified its energy management system under the international standard ISO 5000, which accredits that a company is responsible and committed to the rational use of energy resources at its facilities. That year, Sacyr quantified energy savings of 9,837.54 gigajoules (approximately 2.73 gigawatt-hours), thus preventing the emission of 618,482 tons of CO<sub>2</sub> into the atmosphere. These savings are the result of actions linked to lighting, the harnessing of water vapor, the generation of electricity from renewable sources instead of fossil fuels, and the renewal of the old and obsolete fleet of machinery with more efficient, state-of-the-art technology and alternative propulsion systems such as electric power and compressed natural gas (CNG).

#### 4.3.a.ii Water Consumption

Water resource management continues to be one of Sacyr's main objectives and commitments. Therefore, in line with its Environmental Policy and the United Nations' Sustainable Development Goals (SDAs), it is constantly working to reduce its water consumption and increase leakage control in all its business lines. In this sense, Sacyr recorded savings of 51% of consumption from 2017 to 2018.

With regard to water catchment, Sacyr only performs this activity after obtaining the permits or concessions issued by each country's competent bodies.

Regardless of catchment, Sacyr continues to work on increasing the use of reused and recycled water in its processes. Hence, in 2018, recycled and reused water consumption reached a volume of 743,140.95 m<sup>3</sup>, which represents 21.05% of total water consumption and a 4.39% increase over the previous year.

As for wastewater discharge, Sacyr verifies that the quality of its outflows complies with all applicable environmental laws by processing it in its treatment plants and via water quality measurement systems. According to the records, Sacyr's total discharge volume in 2018 was 11,423,099.34 m<sup>3</sup>, of which just over 95% (11,213,884.00 m<sup>3</sup>) corresponded to brine from the seawater desalination process at the desalination plants.

#### 4.3.b Pollution Prevention

##### 4.3.b.i Wastes

Sacyr identifies natural resource optimization, waste reuse as a raw material, prioritizing recycling and waste reuse, and the inclusion of eco-design criteria as the main elements of the new Circular Economy economic model, to which it has adhered, as a waste prevention and management initiative.

Sacyr's QMEMS has a waste management procedure that, in observance of the legislation in force in each country or region, sets out the requirements that contracts must fulfill with regard to identifying,

classifying, labeling, storing and managing the waste generated, as well as guidelines related to waste reuse and recycling.

According to the 2018 Comprehensive Report, of the total waste generated in 2018 (651,249,167.12 tons), 11.72% was recycled, 3.57% was reused, 1.12% was used as compost and the rest was disposed of in authorized landfills. Of this total waste, 90.13% corresponded to construction and demolition waste (inert materials), 9.72% was non-hazardous waste, and the rest was hazardous waste.

#### **4.4 Community Health, Safety and Security**

This financial operation does not involve any new project development, so there will be no new impacts on community health and safety. Even so, through its Environmental Policy, Sacyr demonstrates its commitment to conducting its activities in such a way as to minimize negative environmental impacts and achieve a high level of safety in its processes, facilities, and services, paying special attention to protecting its employees, suppliers, customers, and the local environment.

The Company has created the "Sacyr Foundation" as a means of channeling its commitment to the progress and well-being of the communities it relates to, actively contributing to their development through projects with social and cultural content. In line with this commitment, Sacyr offers training in environmental and archaeological matters to local communities that may be affected by the execution of its works or operations. Thus, in 2018, 3,703 hours of training sessions were held, recording 41,615 attendances.

#### **4.5 Land Acquisition and Involuntary Resettlement**

This financing operation does not involve any new project development or require the concession or acquisition of land; therefore, it does not involve any involuntary physical or economic displacement of the population.

Even so, through its QMEMS and in keeping with the Equator Principles and the World Bank's IFC Performance Standards, Sacyr verifies that evidence of compliance with: environmental and social risk and impact assessment and management; resource use efficiency and pollution prevention; community health and safety; land acquisition and voluntary resettlement; biodiversity conservation and sustainable natural resource management; indigenous peoples; and cultural heritage is provided as part of the investors' social and environmental due diligence.

#### **4.6 Biodiversity Conservation and Management of Natural Resources**

Through its strategic lines (aimed at conservation, restoration, and sustainable use of terrestrial ecosystems, halting the loss of biological diversity, recovering degraded lands and soils, and mobilizing and increasing financial resources for environmental protection) aligned with the Sustainable Development Goals, Sacyr undertakes to respect biodiversity in the development of its projects and operations.

In this regard, Sacyr promotes ecological remediation actions to mitigate its impacts, including, among others, landscape integration, surface revegetation, and restoration of areas of temporary occupation in its operations.

#### **4.6.a Supply Chain**

Sacyr is aware of the need to control and influence the environmental and social impacts of its suppliers. For this reason, some of the criteria taken into account by the Group when evaluating possible suppliers are: (i) that the company is certified by an internationally recognized environmental standard; (ii) that it has eco-labels for the products it purchases; (iii) that it verifies the way in which it makes its operations' environmental information available to third parties; (iv) that it verifies the measurement of its carbon footprint or water footprint; (v) that it uses returnable packaging; and (vi) the origin of the supplier (whether or not it is local).

In this regard, in 2018 a total of 746 suppliers were evaluated initially, of which 475 (i.e. 63.7%) satisfied the environmental criteria, exceeding the 40% recorded the previous year.

Sacyr evaluates the performance of suppliers and subcontractors by assessing requirements such as: (i) level of compliance with the environmental requirements set out in the documents pertaining to the activity carried out (purchase specifications, environmental commitments in the contract, construction procedures, good environmental practices, etc.); (ii) environmental actions related to the use of environmentally friendly technologies (waste minimization, remediation of spaces occupied by its facilities, etc.); and (iii) employee awareness training to achieve a greater commitment to environmental prevention.

#### **4.7 Indigenous Peoples**

This financing operation does not involve any new project development, so no impact on indigenous peoples' lands or resources is foreseen.

#### **4.8 Cultural Heritage**

This financing operation does not involve any new project development; accordingly, it does not envisage any type of construction, excavation, or earthmoving, so no impact on cultural heritage is foreseen.

### **5. Local Access of Project Documentation**

Additional sustainability information on the Sacyr Group can be accessed at the following link: [http://www.sacyr.com/es\\_en/values-corporate-responsibility/](http://www.sacyr.com/es_en/values-corporate-responsibility/)

### **6. Contact Information**

For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary tab**), or IDB Invest using the email [divulgacionpublica@iadb.org](mailto:divulgacionpublica@iadb.org). As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.

### **7. Environmental and Social Action Plan**

Sacyr will comply with all applicable environmental, social, and occupational health and safety laws of the countries in which it operates, the IDB Invest Environmental and Social Sustainability Policy, and all aspects and components of its QMEMS. Furthermore, it shall submit an Annual Environmental and Social

Compliance Report in line with applicable IFC PSs, such as: PS-1, PS-2, PS-3, PS-4, and PS-6. IDB Invest will conduct oversight and follow-up activities of Sacyr's operations until the expiration of the Financing.

The Project's Environmental and Social Action Plan (ESAP) is summarized in [Annex 1](#).

**Annex 1: Environmental and Social Action Plan (ESAP)**

No.	Reference	Action	Final Product / Deliverable	Completion Date
PS 1: Assessment and Management of Environmental and Social Risks and Impacts				
1.1	Project Compliance with Applicable Standards	1. Prepare, through an external, independent environmental and social expert approved by the National Environmental Authority (external audit), a consolidated report on the compliance status of all environmental, social, and OHS policies applicable to the Project works, including (i) the progress of the Quality Management and Environmental Management System (QMEMS) actions with regard to the defined key performance indicators (KPIs); (ii) the compliance status with the IDB Invest Environmental and Social Sustainability Policy; and (iii) compliance with local environmental and OHS legislation of the countries in which it operates.	1. Environmental and social compliance report.	1. Annually over the life of the loan or the term defined in the loan agreement.