

## PUBLIC DISCLOSURE TEMPLATE

Original language of the document: Spanish

Cut-off date for review: July 2020

### A. Investment Summary Tab

<b>Disclosed Date:</b>	August 4, 2020
<b>Project Name:</b>	Financing of Ortiz Construcciones' supply chain in Mexico, Colombia, and Panama
<b>Project Number:</b>	13148-01
<b>Investment Type:</b>	Supply Chain Financing
<b>E&amp;S Category:</b>	C
<b>Projected Board Approval Date:</b>	September 17, 2020
<b>Company Name:</b>	Ortiz Construcciones y Proyectos, S.A.
<b>Sector:</b>	Energy
<b>Financing Requested:</b>	Up to US\$20 millions
<b>Financing Currency:</b>	USD
<b>Project Country:</b>	Mexico, Colombia and Panama
<b>Team Leader:</b>	Brian Blakely

### B. Environmental and Social Review Summary

#### 1. General information of the Operation

Ortiz Construcciones y Proyectos, S.A. ("Grupo Ortiz" or "the Company") has requested financial assistance from IDB Invest to establish an uncommitted revolving credit line (the "Line") to finance its subsidiaries' suppliers in Mexico, Colombia, and Panama through the acquisition of collection rights (the "Project" or the "Operation"). The Operation includes accounts receivable, the payment of which will be deferred due to the exceptional measures adopted by the Company to mitigate the impact of COVID-19 on its suppliers.

#### 2. Scope of the Environmental and Social Review

Grupo Ortiz and its subsidiaries are a global infrastructure and energy concession group with more than 60 years' experience in the development of renewable energy projects, comprehensive concession services, sustainable infrastructure, and asset management. Grupo Ortiz began its strategic international expansion in 2010, and by 2019 it had established consolidated agencies, branches, and subsidiaries in Mexico, Colombia, Peru, Panama, and Japan. In Mexico, the Company's portfolio includes eight solar power projects and the Tepic, Nayarit Hospital project; in Colombia, it has two highway concessions under a public-private partnership ("PPP") framework; and in Panama it is responsible for wastewater treatment and hydraulic infrastructure works, as well as the restoration of the Metropolitan Cathedral of Panama City.

The environmental and social review for the proposed Operation involved an analysis of documentation on the Company's environmental and social performance over time, with a focus on compliance with the following Performance Standards ("PS"): 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; and PS 4: Community Health, Safety and Security.

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

The Project has been classified as a Category C operation, in accordance with the IDB Invest Environmental and Social Sustainability Policy, as it generates minimal adverse environmental or social risks or impacts, and if such risks exist, they will be of limited scope and severity.

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

### **4.1 Assessment and Management of Environmental and Social Risks and Impacts**

Grupo Ortiz is committed to achieving the United Nations ("UN") Sustainable Development Goals ("SDGs") in each of its projects, and signed the UN Global Compact in 2010. Additionally, the Company has implemented an Integrated Management System ("IMS"), which is certified under international quality (ISO 9001:2015), environmental management (ISO 14001:2015) and occupational health and safety (OHSAS 18001:2007) standards for all subsidiaries and work centers. As such, the Company assumes responsibility for protecting and taking care of the environment throughout its production processes, in addition to ensuring job creation and shared wealth, promoting efficient use of available natural resources, and aiming to contribute to increased social prosperity, both now and in the future.

In 2019, Grupo Ortiz created its Sustainability Committee, which consists of the Company's Corporate Development Director, Human Resources Director, Quality and Prevention Director, and Corporate Social Responsibility Manager, in addition to the Communications, Human Resources and Training Departments. This committee is responsible for assigning tasks and monitoring commitments and objectives in areas such as corporate governance, environment, climate change, community relations, employment, innovation, and health and safety.

As part of its environmental and social commitments, the Company complies with the terms and conditions outlined in the environmental impact assessment mechanisms for each project that it implements, which are approved by the environmental authorities in each country where it operates. Similarly, it submits regular reports on applicable environmental regulations to local environmental authorities, based on their requirements. Furthermore, within the IMS, the Company has established an Operational Control Procedure through which it identifies and plans operations, activities and processes associated with significant environmental aspects and identifies risks in accordance with its policy, objectives, and goals in order to regularly control and evaluate these operations and activities and assess their impact on the environment and employee health and safety.

To maintain communication with external stakeholders, Grupo Ortiz has established a Communications and Institutional Relations Committee which is responsible for managing the Company's communication strategy, image, and institutional relations in the countries where it operates. Additionally, the Company releases a Consolidated Non-Financial Statement ("CNFS") in accordance with the Global Reporting Initiative ("GRI") Sustainability Reporting Standards, in which it provides information on all sustainability

matters and the progress made each year. The Institutional Relations Department oversees the corporate documents and content prepared to ensure communication in line with the Group's purpose and identity.

#### **4.2 Labor and Working Conditions**

Grupo Ortiz has implemented a Code of Ethics and Conduct (the "Code") which aims to ensure that all stakeholders (groups or individuals with whom the Company maintains relations, including employees, customers, suppliers, contractors and third parties) adhere to universally accepted ethical principles and values. In accordance with local laws and international agreements and treaties on labor issues and human rights signed in the countries where the Company operates, the Code defines and guarantees decent treatment, a healthy working environment, good work-life balance, and optimal working conditions for employees, considering key aspects such as: (i) the prohibition of child labor; (ii) the prohibition of forced labor; (iii) the right to freedom of association; (iv) workplace health and safety for employees, as well as partner companies and suppliers with whom it operates; (v) non-discrimination and the prohibition of harassment; and (vi) the right to intimacy and privacy.

Similarly, the Code stipulates that the Company's commercial relations with its suppliers, contractors and employees must be based on trust, efficacy and propriety in the provision of services. The Company only works with suppliers whose business practices adhere to the principles of equity, objectivity and transparency, which comply with the law and do not put its reputation at risk. Similarly, these suppliers are responsible for ensuring that the subcontractors they work with comply with the standards outlined in the Code and the corresponding legal framework, and agree to adhere to the Code in their contracts.

In addition to the principles of non-discrimination and gender equality included in the Code, Grupo Ortiz has also established specific Internal Labor Regulations for each country, including a hiring process that promotes social inclusion and respect for human and labor rights and is in line with applicable cultural and legal standards in each country in which it operates.

In order to protect its employees' health and safety, in addition to establishing an Occupational Risk Prevention Policy, Grupo Ortiz has also developed an Occupational Risk Prevention Plan for each project in accordance with its corporate occupational risk prevention procedure, which complies with occupational health and safety ("OHS") legislation in each country where it operates. Due to the global emergency caused by the COVID-19 pandemic, the Company has also implemented additional technical and administrative OHS measures based on its crisis management protocols, including the development of a Manual on COVID-19 Measures for its Spain office, as part of its internal occupational risk prevention services.

To ensure effective grievance management, the Company has established a grievance channel and a protocol for reporting any behavior that fails to comply with its Code of Ethics and Conduct or violates legislation in force in each country. This channel is available not only to employees but also to all stakeholders via the Company's website, email, or mail. The Company's Ethics and Crime Prevention Committee is responsible for managing grievances (receipt, classification, investigation, closure, measures, and archiving).

In order to ensure transparent supply chain management, Grupo Ortiz has implemented a Procurement Policy which focuses on compliance with ethical standards, a digital supplier portal, and a General Procurement, Subcontracting, and Supplier Evaluation Management Procedure. This procedure establishes a methodology to ensure that procurement management—whether for the purchase of

materials or equipment, hiring labor or the necessary services for project implementation—complies with minimum quality standards (legal, safety, environmental, ethical, and contractual). The General Procurement, Subcontracting and Supplier Evaluation Management Procedure also outlines supplier classification based on their quality, environmental and OHS management (optionally requesting ISO 9001, ISO 14001 and ISO 45001 certification where applicable), as well as their track record in deliveries and subcontracting. The selection of and continued collaboration with reliable suppliers is based on this classification, and is determined by the Company's Quality and Environment Committee. Finally, the Procurement Department carries out continuous monitoring of suppliers' performance, and reviews their classification biannually based on the Contract Compliance Reports, which assess compliance with: (i) quality and contract specifications; (ii) the specified environmental requirements; (iii) deadlines and authorized extensions; (iv) collaboration; (v) on-site safety measures; and (vi) administrative control processes.

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

Grupo Ortiz has implemented pollution prevention and reduction systems, as well as efficient water, raw material and energy management systems that aim to ensure the responsible use of these resources, which form part of its greenhouse gas ("GHG") emissions reduction activities, in accordance with carbon footprint measurement requirements (in 2019, the company estimates that it prevented the emission of 32,390 tons of CO<sub>2e</sub>). The Company has implemented an Energy Efficiency Policy certified under the ISO 50001 standard, which is applied on a group level in all countries where it operates.

Additionally, the Company contributes to a circular economy in all its work centers, identifying, assessing, and controlling aspects such as the generation of solid inert, urban, organic, toxic, and hazardous waste. Similarly, the Company has provided training to its employees in several countries on topics including sustainability and biodiversity, global warming, the protection of endangered species, waste treatment and management, responsible water use, and the issue of water scarcity.

Finally, as the Operation is a commercial transaction to provide financing to suppliers, it will not generate any pollution or require the use of additional natural resources.

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

In order to reduce its impact and minimize health and safety risks due to social conflicts during the construction, operation and maintenance phases of the Project in the communities where it operates, Grupo Ortiz develops a Social Management Plan for each project. These plans enable the Company: (i) to establish a framework for community participation in local development and the provision of basic services such as drinking water and sanitation; (ii) to promote health and safety among the population as a whole; (iii) to support the positioning of the client's institutional image; and (iv) to raise awareness among local communities and ensure that they feel involved in and responsible for the use and maintenance of the infrastructure (shared value). The monitoring and supervision of these plans is carried out together with the client, the contractors responsible for the works, the construction supervisors, and the beneficiary communities. In addition to the risks and negative impacts generated by the Company's activities, positive impacts are also generated in the local communities where it operates, including social wealth generation, job creation, and access to infrastructure.

For each project, Grupo Ortiz develops its own Emergency Response Plan, in accordance with its Emergency Preparedness and Response Operating Procedure, which are duly approved by the competent

authorities in the countries where it operates (public safety authorities, fire service, state government, municipal authorities, etc.). These procedures define and govern the processes involved in identifying, preparing for, and responding to potential and actual emergency situations; preventing or mitigating their consequences on the health and safety of employees and the neighboring communities; and preventing and reducing the environmental impacts associated with such events.

## 5. Local Access of Project Documentation

Additional information on Grupo Ortiz's sustainability performance can be found at the following link: <https://www.grupoortiz.com/compromiso/informes-y-certificaciones/>

## 6. Environmental and Social Action Plan

The Environmental and Social Action Plan (ESAP) for the Operation is provided in [Appendix 1](#).

### C. Additional Information

For inquiries about the Project please contact Grupo Ortiz:

Name:	María Carpintero	José Ramón Arellano
Title:	Finance Director	Finance Manager
Phone number:	34) 91 – 343-1600	(+34) 91 – 343-1600
Email:	<a href="mailto:maria.carpintero@grupoortiz.com">maria.carpintero@grupoortiz.com</a>	<a href="mailto:joseramon.arellano@grupoortiz.com">joseramon.arellano@grupoortiz.com</a>

For questions and comments to IDB Invest please contact:

Name:	BID Invest Communication Group
Email:	<a href="mailto:requestinformation@idbinvest.org">requestinformation@idbinvest.org</a>

Additionally, affected communities can access the IIC's Independent Consultation and Investigation Mechanism (ICIM) as follows:

Phone number:	+1 (202) 623-3952
Fax number:	+1 (202) 312-4057
Address:	1350 New York Ave. NW Washington, DC. USA. 20577
Email:	<a href="mailto:mecanismo@iadb.org">mecanismo@iadb.org</a> or mail to: <a href="mailto:MICI@iadb.org">MICI@iadb.org</a>

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

No.	Reference	Measure	Final Product /deliverable	Expected Completion Date
<b>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</b>				
1.1	Project's regulatory compliance	1. Prepare, through an internal audit or an external audit carried out by an independent expert in environmental and social management, a consolidated annual report on compliance with all national environmental, social, labor, and occupational health and safety ("OHS") regulations applicable to the Project, including: (i) progress on Environmental Management System ("EMS") actions with regard to the key performance indicators ("KPIs") established in the ISO 14001:2015 standard; and (ii) compliance with the IDB Invest Environmental and Social Sustainability Policy.	1. Environmental and social compliance report.	1. Annually over the life of the loan.