Environmental and Social Review Summary (ESRS)
Sacyr Regional Equipment Import Finance Facility - REGIONAL

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1   General Information of the Project and Scope of Environmental and Social Review

This transaction consists of an uncommitted regional reverse factoring revolving credit facility to grant Stand-by Letters of Credit ("SBLC") to local commercial banks related to the leasing of imported construction machinery and equipment by Sacyr Construcción S.A.U. subsidiaries ("Sacyr" or the "Company") in Brazil, Chile, Colombia, Paraguay, Peru and Uruguay (the "Project").

Due to the restrictions imposed by the COVID-19[1] pandemic, the environmental and social due diligence (ESDD) process was mainly conducted virtually and included the review of, among others, the following Company information: (i) environmental and social management policies, plans, manuals and procedures; (ii) human resources policies and labor and working conditions; (iii) occupational health and safety (OHS) programs; (iv), procedures for monitoring and evaluating environmental conditions (e.g., air emissions, solid waste, noise and effluents); (v) emergency response plans; and (vi) the evaluation of Sacyr suppliers' management programs and their compliance with basic environmental, social, and OHS requirements, as per regulations in Brazil, Chile, Colombia, Paraguay, Peru, and Uruguay.

2   Environmental and Social Categorization and Rationale

The Project has been classified as a Category C operation under BID Invest´s Environmental and Social Sustainability Policy, as it would generate null or very limited adverse environmental or social risks. The Project will trigger the following International Finance Corporation (IFC) Performance Standards (PS): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety, and Security.

3   Environmental and Social Context

Sacyr Group (the "Group"), which has been operating in 30 countries for over 30 years, is divided into three operating areas: (i) Sacyr Engineering and Infrastructure; (ii) Sacyr Concessions; and (iii) Sacyr Services. Sacyr Construcción, S.A.U., which is part of Sacyr Engineering and Infrastructure, specializes in the construction of all types of civil infrastructure.

Sacyr has a Global Management System that coalesces all certifications of each of the companies comprising the Group. It currently has 181 internationally recognized certifications, including: ISO 9001[2] (quality), ISO 14001 (environmental management), ISO 50001 (energy), ISO 27001 (information security),

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[1]   COVID-19 is the infectious disease caused by the coronavirus discovered in Wuhan, China in December 2019 (https://www.who.int/emergencies/diseases/novel-coronavirus-2019)

[2]   Certificates granted by the International Standardization Organization ("ISO"). See https://www.iso.org/home.html

ISO 17025 (laboratory validation), ISO 22000 (food safety and security), ISO 14064 (greenhouse gases); EMAS[3]; EA0050 (efficient driving) and the Spanish UNE standards: UNE 158301 (management of home help services), UNE 158101 (management of residential centers), UNE 158201 (personal autonomy), UNE 1176-7 (playground equipment and surfaces), UNE 216701 (classification of energy service providers). According to its 2021 Annual Report, 80.35% of Sacyr's activities comply with ISO 14001 standard.

Sacyr also executes construction projects with *Leadership in Energy and Environmental Design* ("LEED") and *Building Research Establishment Environmental Assessment Methodology* ("BREEAM") Certification, such as VERDE, CES HOSPITALES, GSAS DESIGN & BUILD, *Civil Engineering Environmental Quality Assessment (CEQUAL)*, WELL[4] and SITES[5] certifications.

In 2007, Sacyr signed the Global Compact, an ethical commitment initiative promoted by the United Nations to implement sustainability principles in 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

Sacyr has a Management System (MS) in accordance with ISO 9001 and ISO 14001 standards and the European Eco-Management and Audit Scheme (EMAS), among others, which helps it to identify the main environmental challenges associated with its activities, as well as any applicable legal requirements, and to have timely measures in place to guarantee the continuous improvement of its environmental performance.

As part of the MS, the Company has a Quality, Environmental, and Energy Management Policy, where the Group's senior management undertakes to protect the environment and properly manage energy, in addition to complying with the environmental and energy laws, the environmental requirements, and the energy use and consumption adopted by the Group. In addition, it has policies relating to its environmental, social, and OHS performance: Sustainability Framework Policy, Climate Change Policy, Circular Economy Policy, Water Policy, Biodiversity Policy, Occupational Health and Safety Policy, and 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.

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[3]   EMAS (*Eco-Management and Audit Scheme*) is an environmental management instrument for companies and other organizations, voluntarily applied for, which allows environmental impact to be assessed, improved in qualitative and quantitative terms, and officially and transparently disclosed.

[4]   The WELL certification of the International Well Building Institute (IWBI) is a system based on the measurement, monitoring, and performance certification of the built environment impacting human health and wellbeing through fundamental concepts in 3 building characteristics: behavior, operation, and design (https://www.wellcertified.com/certification/v2/).

[5]   The SITES certification system is internationally renowned for its focus on the planning, design, construction, and maintenance of sustainable landscape projects.

Sacyr has a Corporate Quality, Environment, and Energy Management, which serves all the Sacyr Group's business areas in all the countries in which it operates. This Management is responsible for monitoring compliance with environmental regulations and promoting a sustainable business model that respects the environment, identified with the improvement of energy performance and committed to the fight against climate change. In terms of health and safety, Sacyr has a Health and Safety Management (HSM) that is responsible for monitoring compliance with the Occupational Health and Safety Management System (OHSMS), as well as advising Country or Area Safety Managers on the implementation of emergency preparedness and response procedures.

Through the Group's Integrated Risk Management System (IRMS), Sacyr maintains a catalog of the main business risks applicable at the 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.

A more detailed analysis is conducted for climate change risks. The Sacyr Group's Climate Change Strategy focuses on climate change mitigation and adaptation, contemplating risks and opportunities based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD[6]).

Sacyr has an Emergency Preparedness and Response Procedure as part of the OHSMS, which outlines how to develop, implement, and update emergency measures, depending on the activity developed in each 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 for each new project, which must contain action sheets for all probable emergency scenarios identified as significant during the identification, analysis, and evaluation stage. These sheets are used to determine the tasks to be performed during an emergency and to define who performs them, when and where they should be performed, the necessary equipment, instructions to be followed, and the required information flow.

In addition, Sacyr has two specific emergency management procedures: (i) a Crisis Committee Procedure, which determines the operational phases including (a) Phase I, incident detection; (b) Phase II, crisis committee formation; (c) Phase III, needs and means assessment and incident projection; (d) Phase IV, incident follow-up; (e) Phase V, incident closure; and (f) Phase VI, incident analysis; and (ii) an 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.

Sacyr seeks management excellence, responding to the needs of its stakeholders, adding value to society, and striving for economic and environmental sustainability. Sacyr therefore considers as a stakeholder any social collective that is or could be affected by the Company's activities or that legitimately affects or could affect its activities. These stakeholders include employees, investment analysts, the media, customers, local communities, public administrators, non-governmental organizations (NGOs), and other members of civil society, including suppliers and contractors.

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[6]   *Task Force on Climate-Related Financial Disclosures*

To involve stakeholders in each project, Sacyr holds kick-off meetings prior to the start of construction to establish initial contact and communicate project activities. 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.

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) and email (rcorporativa@sacyr.com). It also has a Customer Service Procedure that regulates how to handle environmental grievances related to its activities filed directly by customers, environmental organizations, the affected community, and other stakeholders. During 2021, this mechanism received and analyzed 45 environmental and quality communications.[7] Currently, 42% are closed (16 quality and 3 environmental) and 58% are awaiting final resolution (9 quality and 17 environmental).

4.2   Labor and Working Conditions

General labor and OHS aspects and conditions are very well regulated in Brazilian, Chilean, Colombian, Paraguayan, Peruvian and Uruguayan law. In this sense, the Company 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.

Moreover, through its Internal Labor Regulations (ILR) and its Remuneration Policy, Sacyr complies with applicable labor regulations in the countries where it operates. 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.

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. The Company offers its employees the possibility of developing their training curriculum in an agile and accessible manner, through the online training tool "*My virtual point*."

To protect its workforce, in 2014 the Sacyr Group signed a Framework Agreement[8] in which it undertakes to respect and promote the principles defined in the United Nations (UN) Universal Declaration of Human Rights, the Tripartite Declaration of the International Labor Organization (ILO), the Guidelines for

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[7]   Of these, 25 are classified as quality (deviations reported by customers or users on the provision of the service) and 20 are classified as environmental (related to inadequate management of waste produced or operated in the contracts and queries from neighbors related to noise and affected services).

[8]   The Framework Agreement was signed with the International Federation of Building and Woodworkers, Workers' Commissions for Construction and Services, and the General Union of Metal, Construction, and Allied Workers (UGT-MCA).

Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD), and the UN 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.

In OHS matters, Sacyr has a Corporate Occupational Health and Safety Policy that it uses 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 HSM, support units, and external prevention services.

To implement and strengthen its preventive culture, Sacyr provides regular training courses that include OHS coaching and training for its employees. 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).

To resolve complaints, Sacyr has a Query and Reporting Line to provide a mechanism for access to remedy or a grievance channel for all issues related to the Code of Conduct and, in general, to the Regulatory Compliance Model. This line also serves to inform or report situations of breaches or risks related to the guidelines and conduct regulated in this code.

In terms of its supply chain, Sacyr states in its Code of Conduct that, in any country in which it operates, it undertakes: (i) not to resort to child labor or incorporate into its business activity, any product or service that uses it; and (ii) to ensure compliance with ILO provisions on child labor. 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. In this sense, Sacyr 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.

Accordingly, the Company has a Climate Change Policy that, together with the Quality, Environmental, and Energy Management 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.

Water resource management continues to be one of Sacyr's main objectives and commitments. Therefore, in line with its Water Policy and the United Nations' Sustainable Development Goals (SDGs), it continuously works to reduce its water consumption, increase the use of reused and recycled water in its

processes, and increase leakage control in all its business lines. The Company only captures water (runoff or groundwater) after obtaining the licenses or concessions issued by each country's competent bodies.

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.

As a waste prevention and management initiative, Sacyr sets out in its Circular Economy Policy principles on 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. The Company's MS 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.

4.4   Community Health, Safety and Security

This transaction does not envisage the development of new projects, so there will be no new impacts on community health, safety, and security. 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. Moreover, in 2020 Sacyr renewed its international Corporate Environmental Liability Insurance Program, which covers all the Group's subsidiaries.

Similarly, Sacyr, as part of its CSR strategy, develops several solidarity initiatives, through which it aims to contribute to the progress and well-being of the communities in which it operates. These initiatives include: (i) socio-health care; (ii) (international) development cooperation; (iii) arts and culture; (iv) environment; (v) sports activities; and (vi) socio-economic development of the surrounding area.

4.5   Land Acquisition and Involuntary Resettlement

This operation does not envisage the development of new projects, nor does it require land concessions or acquisition. Therefore, it does not involve any kind of involuntary physical or economic displacement of the population.

4.6   Biodiversity Conservation and Sustainable Management of Living Natural Resources

Through its Biodiversity Policy and 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 SDGs, 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.

With regard to its supply chain's environmental and social impacts, Sacyr is aware of the need to establish controls over its suppliers. For this reason, the criteria taken into account by the Group when evaluating possible suppliers include: (i) that the company be certified by an internationally recognized

environmental standard; (ii) that it has eco-labels for the products it purchases; (iii) that it verifies how 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) verifying the origin of the supplier (whether or not it is local).

Furthermore, Sacyr evaluates the performance of suppliers and subcontractors by assessing aspects 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 operation does not involve any new projects development, so no impacts to Indigenous peoples' lands or resources are foreseen.

4.8   Cultural Heritage

This operation does not involve any new projects development, therefore, it does not envisage any type of construction, excavation, or earthworks, so there are no foreseeable risks to cultural heritage.

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-responsability/