

Environmental & Social Sustainability Policy

Introduction

A. Purpose

The purpose of the Environmental and Social Management System (ESMS) is to help BEEL personnel integrate and apply the Environmental and Social Sustainability Policy (E&S Policy) throughout the Project Cycle, which can be found on BEEL's Cloud by following the route: CKD BEEL INFRA CREDIT / Proceso de Inversión / Beel Docs / Última Versión / Versiones Revisadas y Finales.

The ESMS is also to be applied in all internal BEEL processes, including day-to-day activities.

B. Target Audience

The E&S Policy and the Environmental and Social Management System was designed for all BEEL personnel, including those involved in any stage of the Project Cycle, and shall be known and understood at all levels of BEEL's organization. It is vital that each employee is made conscious of the importance of their responsibility for implementing the E&S Policy.

BEEL shall assure conformance with the E&S Policy, as well as identify other parties to be designated from time-to-time who are responsible for its execution.

C. E&S Objectives and Principles

BEEL recognizes the importance of environmental, social and governance (ESG) principles and understands their impact on the long-term performance of its investments, integrating such principles in all stages of the Project Cycle. BEEL believes that an important component of achieving positive development outcomes is the environmental and social sustainability of BEEL's and the fund that it manages activities, which BEEL pursues and expects to achieve through the application of its E&S Policy.

Environmental and Social Management System (ESMS) Guidelines

A. Environmental and Social Sustainability Policy

Through its Environmental and Social Sustainability Policy, BEEL puts into practice its commitments to environmental and social sustainability. For this purpose, BEEL follows the IFC's Performance Standards on Environmental and Social Sustainability, which description is available on the following link: <http://www.ifc.org/ifcext/sustainability.nsf/Content/PerformanceStandards>

These eight standards establish clear requirements for investee performance and project outcomes.

Furthermore, all projects in which any funds managed by BEEL invests must comply with all applicable E&S laws and regulations applicable under the jurisdiction(s) where the projects are located, and

BEEL's monitoring tools seek to ensure that all such projects are operated in a manner consistent with the IFC's Performance Standards.

In addition, no fund managed by BEEL will finance any activity found on IFC's Exclusion List, available on the following link:

<http://www.ifc.org/ifcext/sustainability.nsf/Content/IFCExclusionList>

B. E&S Investment Appraisal and Supervision Procedures

The purpose of this section is to identify the procedures that BEEL undertakes to implement its E&S Policy along the Project Cycle and ensure that the E&S Policy's objectives are achieved in all its investment activities.

- 1) Identification and Origination:** identification and origination of investment opportunities, with early dismissal of projects with known ESG related issues. For those investment opportunities where risks present significant, adverse environmental and social issues of concern, including reputational risk, BEEL's management will define in this stage if the project is eligible or not.
- 2) Eligibility:** preliminary evaluation of the investment opportunity, by means of an internal due diligence.
 - a. Investment Transaction Leader team makes an initial and preliminary evaluation of the potential for the project under consideration to meet the E&S Policy requirements, for example, by identifying the major ESG risks and determining whether any potential gaps with the fund's requirements are surmountable and manageable within a reasonable period of time and subject to BEEL's leverage.
 - b. Investment Transaction Leader prepares eligibility form and determines scope of ESG external consultants' due diligence.
 - c. BEEL informs the project sponsor about the fund's E&S Policy requirements and information needs and seeks the sponsor's cooperation in the subsequent due diligence activities, for which a section on ESG matters is included in the Mandate Letter and Project Preliminary Term Sheet.
 - d. For those investment opportunities where risks present significant, adverse environmental and social issues of concern, including reputational risk, BEEL's management will define in this stage if the project is eligible or not.

Records and Documentation: (i) Eligibility Form, and (ii) Mandate Letter and Project Preliminary Term Sheet.

- 3) Due Diligence and Structuring:** comprehensive review process accompanied by expert external consultants and independent engineers.

- a. An expert external consultant performs an ESG due diligence on the project (on-site and documental) with the purpose of identifying any other risks or concerns to take into consideration as part of the investment decision.
- b. In all cases, the due diligence is contracted to an external consultant or consultant team, for which BEEL should prepare the Terms of References (ToR) to ensure that the necessary due diligences is conducted.
- c. The level of ESG due diligence shall be based on the project's ESG risk profile and potential impacts, for example, whether they are major (e.g., irreversible, unprecedented, involving large resettlement) and/or moderate (generally site-specific, largely reversible and mitigable).
- d. Upon completion of the due diligence, the findings, conclusions, and recommendations are included in the external consultant's report and shall be reflected in the investment proposal to be submitted to the fund's Investment Committee.
- e. Likewise, based on the due diligence findings, the external consultant prepares an Environmental and Social Action Plan (PAAS), based on the IFC's Performance Standards, to help the investment team define if the investment opportunity complies with the minimum E&S Policy requirements.
- f. The PAAS shall also include the necessary actions which must be implemented for the proposed investment to proceed to financial closure, including any applicable mitigation, management, monitoring, and institutional measures to be taken during project implementation and operation to address any gaps with the E&S Policy. The PAAS shall clearly indicate the (achievable) level of environmental compliance with the E&S Policy, the existing performance gaps, and the corrective actions that need to be taken to close these gaps along with reasonable timelines, and should be thoroughly discussed and agreed with the project sponsor.

Records and Documentation: (i) External Consultant Report, (ii) Investment Proposal, and (iii) PAAS.

- 4) Internal Investment Approvals:** the results of the ESG due diligence shall be included in the investment proposal and presented to the fund's Investment Committee in concert with the results of the other due diligence conducted on the prospective investment.
- a. The Investment Committee decides whether to move forward or not with the investment opportunity, or requests a deeper analysis/due diligence in order to be able to make its decision.
 - b. The Investment Committee may request the inclusion of additional conditions for investment based on their analysis of the investment opportunity.
 - c. If required under the fund's founding documents, the investment opportunity shall also be submitted for approval to other fund's decision-making bodies.

Records and Documentation: (i) Investment Proposal, and (ii) Investment Committee meeting minutes.

5) E&S Conditions of Investment:

- a. BEEL negotiates and agrees with the sponsor the ESG provisions and investment conditions that shall be included in the termsheet and investment agreements (credit agreements and financing documents through which the investments are documented). These typically consist of standard ESG terms applicable to all investments (definitions, representations & warranties, disbursement conditions and covenants), and project-specific conditions identified during the ESG due diligence of a proposed investment.
- b. Critical mitigating actions that address gaps with the E&S Policy are also included in the investment agreement, by integrating the PAAS and setting forth post-investment reporting requirements for the investee, particularly on the status of the implementation of the mitigating measures.
- c. Negotiations and due diligence can be conducted simultaneously with the final Investment Committee.

Records and Documentation: (i) Investment Agreements (Credit Agreements and Financing Documents), and (ii) PAAS.

6) Investment Closing and Disbursement: closing of the transaction once the investment agreements are finalized and the investment opportunity is approved by the Investment Committee and other fund's applicable decision-making bodies.

- a. External counsel helps to ensure that any conditions of investment tied to disbursement of funds, as specified in the investment agreement, are met before disbursing funds.
- b. Further ESG evaluations or site visits may apply.
- c. In case the project sponsor requests any waiver or extension of some or all these conditions, BEEL should be extremely careful in granting such exceptions in accordance with its internal waivers and amendments policies and make sure that any such waiver or extension will not significantly affect the project sponsor/company's commitment to mitigation of the project's E&S risks, as well as the project's ability to perform consistently with the E&S Policy requirements.

Records and Documentation: (i) Investment Agreements (Credit Agreements and Financing Documents), and (ii) closing documents.

7) Monitoring: active surveillance and monitoring of the ESG performances of each of the fund's portfolio projects.

- a. The investment agreements should require the investee to report periodically on its ESG performance according to a pre-agreed form, including reference to the level of implementation of the critical mitigating actions included in the PAAS and any significant ESG incidents.
- b. BEEL's monitoring committee holds a monthly meeting to discuss the investees' compliance with their overall obligations under the corresponding investment agreements, including any ESG matters.
- c. Based on this reporting, BEEL shall discuss with the investee any outstanding or potential ESG performance issues and if needed, agree to additional measures to address them.

Records and Documentation: (i) Monitoring Committee Presentation, and (ii) Investee's periodic reports.

C. Identification of Risks and Impacts

An early detection of risks and impacts will allow the Project Team to evaluate the project's risks and impacts at an early stage. It will also allow BEEL to create a safe and healthy work environment. Below are some examples of general environmental and social risks and impacts:

1. Environmental:

Risks	Potential Impacts
Release of air pollutants (air emissions)	Pollution of air, land and surface water
Release of liquid effluents or contaminated wastewater into local water bodies or improper wastewater treatment	Surface water pollution
Generation of large amounts of solid waste and improper waste management	Pollution of land, and ground and surface water
Improper management of hazardous substances	Contamination of adjacent land and water
Excessive energy use	Depletion of local energy sources and release of combustion residuals leading to air pollution
Excessive water use	Depletion of water resources
High or excessive noise levels	Negative effects on human health and disruption of local wildlife

Improper or excessive land use	Solid degradation and biodiversity loss
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2. Occupational health and safety:

Risks	Potential Impacts
Physical hazards	
Slips, trips, and falls	Worker injury (sprains, strains, fractures)
Falls when working at heights	Worker injury or loss of life (fractures, life-threatening trauma)
Collision with moving equipment (vehicles, forklifts, cranes)	Worker injury or loss of life (life-threatening trauma)
Caught in by improperly enclosed, unguarded or moving machinery	Worker injury or loss of life (cuts, traumatic amputation)
Exposure to high or excessive noise levels	Loss of hearing
Exposure to extreme temperatures	Hypothermia, heat stress, dehydration
Contact with exposed or faulty electrical wires	Worker injury or loss of life (electrocution)
Explosions or fire due to ignition of dust or flammable materials	Worker injury or loss of life (asphyxiation, burnings)
Exposure to ionizing radiation (x-rays)	Worker injury or loss of life (skin lesions, radiation sickness, cancer)
Exposure to non-ionizing radiation (ultraviolet, visible light)	Worker injury or loss of life (burns, blindness, skin cancer)
Chemical hazards	
Inhalation, skin contact, or ingestion of hazardous chemicals (e.g. pesticides, solvents)	Worker injury or loss of life (irritation, damage to internal organs, intoxication)
Inhalation of dust	Worker illness (decreased lung capacity)
Exposure to hazardous atmosphere in confined spaces	Worker loss of life (asphyxiation)
Biological hazards	
Exposure to blood or bodily fluids from persons or animals carrying pathogens	Worker illness or loss of life

Exposure to airborne or vector-borne diseases (bacteria, viruses or mold/fungi)	
Exposure to poisonous plants, animals or insects	
Lack of appropriate welfare facilities (e.g. potable water, toilets, washing facilities)	Worker ill-health
Ergonomic hazards	
Repetitive motions	Worker injury (sprains and strains to muscles and connective tissues causing pain, inflammation, numbness or loss of muscle function)
Improper techniques for lifting heavy items	
Improperly designed or aligned work stations	
Standing for long periods of time	

3. Labor:

Risks	Potential Impacts
Lack of contracts, use of contracts not understood by workers, or use of contracts with terms that are different from actual working conditions	Forced labor
Exploitation of migrant or temporary workers by labor contractors, including unlawful wage deductions (e.g. excessive recruitment fees, transportation/housing costs)	Forced labor
Low or insufficient wages	Excessive overtime and perpetuation of poverty cycle for workers (which can also lead to child labor)
Excessive overtime	Worker fatigue leading to higher injury rates and illnesses
Exploitation of young workers or student workers	Child labor
Lack of freedom of association or grievance mechanisms	Mistreatment of workers and workers with no ability to voice concerns or submit complaints

Discriminatory hiring and promotion practices	Negative work environment and unequal access to opportunities and benefits
Verbal and physical (sexual) harassment	Worker dissatisfaction and trauma
Unsafe and unhygienic living quarters for workers	Workers ill-health

4. Community health, safety and security:

Risks	Potential Impacts
Release of pollutants and harmful dust into ambient air	Negative impacts on the community's health
Surface or drinking water contamination	Negative impacts on the community's health
Strain on local water supply	Conflicts among competing water users
Exposure to hazardous substances	Negative impacts on the community's health
Spread of diseases due to the influx of workers	Negative impacts on the community's health
Increase of disease vectors (e.g. mosquitoes, flies, rodents) from failure to manage liquid and solid wastes	Negative impacts on the community's health
Release of unpleasant odors	Negative impacts on the community's health
Excessive noise	Negative impacts on the community's health
Improperly controlled or trained security guards	Violence against local community members
Excessive or unregulated vehicle traffic near the facility and through communities at inappropriate times (e.g. children going to school)	Injury/death of community members due to vehicular accidents
Poorly designed and constructed buildings and infrastructure	Injury/death of community members and damage to neighboring properties

D. Organization and Responsibilities

Roles and responsibilities regarding compliance and alignment with the E&S Policy:

	Responsible Party	Role and Responsibility
Identification and Origination	<ul style="list-style-type: none"> • BEEL's management team 	<ul style="list-style-type: none"> • Identify optimal investment opportunities aligned with BEEL's policies and values
Elegibility	<ul style="list-style-type: none"> • Investment Transaction Leader Team • BEEL's management team 	<ul style="list-style-type: none"> • Internal due diligence, risk identification • Analysis and approval/dismissal of investment opportunity
Due Diligence and Structuring	<ul style="list-style-type: none"> • Investment Transaction Leader Team • External expert consultant 	<ul style="list-style-type: none"> • Coordinate DD process and prepare investment proposal identifying ESG risks and matters • Perform ESG DD process and prepare PAAS
Internal Investment Approvals	<ul style="list-style-type: none"> • Members of Investment Committee and other fund's decision-making bodies 	<ul style="list-style-type: none"> • Analysis and approval/dismissal of investment opportunity
E&S Conditions of Investment	<ul style="list-style-type: none"> • Head of legal and external counsel 	<ul style="list-style-type: none"> • Ensure implementation of PAAS, as well as ESG mitigants, reps & warranties, reporting obligations and covenants in the investment agreement
Investment Closing and Disbursement	<ul style="list-style-type: none"> • Head of legal and external counsel 	<ul style="list-style-type: none"> • Ensure satisfaction of ESG conditions for investment
Monitoring	<ul style="list-style-type: none"> • Project team • Monitoring Committee 	<ul style="list-style-type: none"> • Periodic review of compliance with PAAS, as well as ESG covenants and reporting obligations • Analysis of identified risks and potential measures, as well as negotiation with project sponsor, if required

Other E&S matters	<ul style="list-style-type: none"> • ESG Manager with support of ESG Coordinator 	<ul style="list-style-type: none"> • Oversee all E&S matters • Ensure resources are made available for the E&S management • Ensure BEEL’s investment teams and external counsels are all trained on the E&S Policy • Build and maintain a file of qualified E&S consultants who can be called upon to assist E&S due diligence or reviews
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Environmental, Social and Governance Manager: Alejandra Melgoza Morales

Environmental, Social and Governance Coordinator: Paloma Pérez Verdeja

E. Reporting (Internal and External)

The results of project-specific due diligence and performance monitoring are regularly reviewed by senior management of BEEL, whether as members of the Investment Committee (prior to investment) or as members of the Monitoring Committee (post investment).

For purposes of BEEL’s monthly Monitoring Committee, the ESG Manager and ESG Coordinator prepare periodic reports on the ESG issues of the fund’s pipeline and portfolio projects, keeping a watch list of portfolio projects with significant E&S performance issues and status updates.

BEEL shall also provide proper and periodic E&S reports to its investors and other stakeholders in accordance with the fund’s founding documents.

Other E&S Matters

1. Recycling Policy

BEEL’s recycling program allows BEEL personnel to participate in recycling by using standard procedures across the office. BEEL counts with recycling bins across the office. Waste shall be separated by:

Paper (White Paper, Colored Paper, Magazines, Newspapers, Books):

- All white paper, color paper, magazines, newspapers and books can be recycled. Paper recycling containers are located around the office. BEEL personnel participates by delivering their paper to one of the recycling bins.

Commingled (Cans, Glass, Aluminum Cans, Plastic Containers):

- All metal cans, jars, aluminum cans, and #1 through #7 plastic containers can be recycled. Commingled recycling bins are located throughout the office.

Waste is also to be separated between organic and inorganic waste.

2. Management Programs

BEEL's personnel at all levels are trained and engaged in ESMS implementation. BEEL's commitment on ESG matters is reflected on a day-to-day basis.

BEEL regularly implements the following measures on its daily operations:

1. **Analyze** all the environmental, occupational health and safety, labor, community health, safety and security risks previously mentioned and analyze their impact;
2. **Avoid** those negative impacts;
3. **Implement** mitigation measures;
4. **Compensate or Offset** the impacts when they have not been avoided or mitigated with comparable positive impacts or provide compensation to those impacted.

3. Emergency Preparedness and Response

Even when all risks have been considered, accidents and emergency situations can happen. BEEL's operations are dynamic, and many things change day to day. The ESMS will help to maintain continuity and consistency throughout these changes.

The key to effective response is effective preparation. The following steps will allow BEEL to anticipate the possible scenarios and prepare accordingly:

1. Identify the areas where accidents and emergency situations may occur;
2. Develop response procedures for each identified emergency situation;
3. Provide the necessary equipment and resources to effectively implement the response plans;
4. Assign responsibilities to adequately follow any action plans;

5. Maintain effective communication so that everyone in BEEL understands the importance of the emergency preparedness and response system and is encouraged to help monitor and improve its effectiveness;
6. Provide periodic training;
7. Work with government agencies and community groups to identify areas where BEEL personnel can collaborate; and
8. Conduct periodic checks and drills to test how well the system is working.

4. General Monitoring and Review

Monitoring and review are critical, because this is how the system is checked and adjusted.

The basics of monitoring are:

1. Visual observation
2. Interviews
3. Measuring and testing
4. Documental review and update

All BEEL personnel is required to report to the ESG Manager and/or BEEL's Management Team any situation which does not represent BEEL's values and practices. Any report will be taken seriously and treated in a confidential manner.

Last review: December 2023.



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