

1. Overview of Scope of IIC E&S Review

IIC's environmental and social specialist visited the company's headquarters in Quito, Ecuador. The scope of the due diligence encompassed a site visit to one of the lots where the new UDLA Campus may be built. While all Performance Standards are applicable, the investment is likely to have impacts that must be managed in a manner consistent with the following Performance Standards:

- 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
- PS 4 - Community Health, Safety and Security
- PS 5 - Land Acquisition and Involuntary Resettlement
- PS 8 - Cultural Heritage

PS6 and PS7 are not expected to apply, since there are no key biodiversity areas, nor indigenous populations in the proposed project's area of operations.

The due Diligence is not finalized and PS5 will be further analyzed on site once the location for the new construction will be determined.

2. Environmental and Social Categorization and Rationale

This is a category B project according to IIC's procedure for Environmental and Social review of projects because a limited number of specific environmental and social impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, or design criteria.

3. Environmental and Social Context

UDLA has received an environmental award from the Municipality of Quito. IIC potential corporate loan to Universidad de las Américas (UDLA, or the Company) will be to partially finance the construction of a new campus in a location to be determined in Quito. Main potential environmental issues are associated with occupational health and safety/life and fire safety during the construction and operational phase of the campus; energy and water resource efficiency; wastewater management; and legal tenure of land acquired for the construction. Information about how these potential impacts will be mitigated is summarized in the following paragraphs. Further information is provided in the attached Environmental and Social Action Plan (ESAP).

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

a. Environmental and Social Assessment and Management System (ESMS): The Company has implemented an Integrated ESHS Management System to a corporate level. The IIC and UDLA staff conducted a joint self and independent assessment of the 9 elements of the Corporate ESMS of the Company as defined in PS1. The rating scale is from 0 to 5 for each element. The average value of the self and independent assessment is 3.52, revealing a medium degree of ESMS maturity. As set forth in the ESAP, an ESMS improvement plan should be presented by the Company to provide consistency in the overall risk assessment of their operations. The ESMS needs to be further rolled out at the new UDLA location.

b. Policy: The Company has developed an overarching policy statement that describes its corporate commitments to continuous improvement of ESHS performance, and that the project business activities will comply with all applicable laws and regulations of Ecuador. The overarching policy is

not fully aligned with the 2012 IFC Performance Standards, and as set forth in the ESAP, it shall be updated to:

- i. Include reference to the intent of the project to support its commitments to manage external interactions through an active stakeholder engagement program and a mechanism to receive, and address stakeholder grievances;
 - ii. Include a documented process to periodically revise the policies; and
 - iii. Once updated, the policy will be communicated to contractors and stakeholders using best available communication procedures.
- c. Identification of Risks and Impacts: UDLA has documented procedures to address risks associated with internal operations. However, UDLA's risk management requires better identification of potential external negative risks and impacts, and requires a formal ESMS procedure to address the significance of risks and potential impacts to neighboring communities.
- d. Management Programs: Corporate Management Programs include objectives to mitigate E&S risks and impacts and annual reviews for continual improvement. Action plans to manage risks are prepared by E&S staff defining responsibilities. Gaps identified during the due diligence in the management program include:
- i. Formalize ESMS management procedures for community engagement including on-going reporting to communities; and a community grievance mechanism;
 - ii. ESMS management procedures for a Code of Conduct for the security personnel at the Company facilities, and manage each identified risk in alignment with the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations;
 - iii. Develop a procedure so that progress in ESMS improvements are verified by senior management;
 - iv. Develop an ESMS procedure to include management process indicators with targets;
 - v. Ensure that the necessary resources are available.
- e. Organizational Capacity and Competency: At corporate level, UDLA has implemented an EHS Committee to manage E&S issues with defined and assigned E&S roles. Members of the EHS Committee include the Corporate Responsible Head of Environmental Management, Responsible Head for Social Management, and the Responsible staff for the Unit on Safety, Health and Environment. EHS staff is routinely trained. Partial community engagement is done through the campuses of engineering and environmental sciences.
- f. Emergency Preparedness and Response: All facilities at UDLA have developed and implemented emergency preparedness and response plans, in accordance with local OHS legal standards and OHSAS 18001 requirements. Yet, emergency preparedness and response planning accounts only for inside-the-fence response, and lacks emergency planning to involve nearby communities. As set forth in the ESAP, the Company will update its emergency preparedness and response procedures to address these gaps. Training programs for Emergency Preparedness and Response shall be reviewed regularly.
- g. Monitoring and Review: UDLA undertakes monitoring and reporting on E&S performance of operations to senior management. As set forth in the ESAP, UDLA will adopt Key Performance Indicators (KPIs) to mainstream Environmental, Occupational Health and Safety and social parameters, including: a) Safety - Lost Time Incident Frequency Rate (LTIFR - Number of lost time incidents per million hours worked); Accident Free Days (Number of Days since last Lost Time Incident); b) Sustainability - Water Usage (m³) and Energy Efficiency (kWh) - Wastewater monitoring effluents and any air emissions parameters; c) Social - Number of environmental and social complaints from communities.

h. Stakeholder Engagement: UDLA has preliminary procedures to identify groups of stakeholders. As per the ESAP, UDLA will perform stakeholder mapping/analysis, and share environmental information with communities, so civil society can express views.

i. External Communication and Grievance Mechanisms: UDLA will implement an external communication system using best communication channels available, and operationalize a Corporate Community Grievance Mechanism (GM). The implemented mechanism shall include dissemination of the GM and how individuals may register grievances publicly or anonymously with UDLA, brought to the attention of senior management, and resolved.

j. Ongoing Reporting to Affected Communities: UDLA provides a brief report to public concerning environmental and social issues and its progress on its commitments for appropriate E&S management. This is done through meetings, website, presentations, etc. As set forth in the ESAP, UDLA will issue, on annual basis in their website, a report meeting the Global Reporting Initiative's Guidelines.

k. Environmental and Social Impact Assessment (ESIA): Following PS1 guidance note, UDLA will present to IIC for review and approval the environmental and social impact assessment (ESIA) and the environmental and social Management Plan for the construction and operational phase. It will include all applicable WBG General EHS Guidelines and IFC performance standards.

4.2. Labor and Working Conditions

a. Working Conditions and Management of Worker Relationships

i. Human Resources Policies and Procedures: UDLA HR policies align with national and ILO Conventions on labor and working conditions. Currently there are 420 employees as of July 2016, encompassing teaching and administrative staff. The HR policy is effectively communicated to all employees during induction at the time of recruitment. Policy updates are communicated to all. Initial Campus construction (1 year) will involve circa 450 workers. About 150 contractors will be engaged monthly.

ii. Working Conditions and Terms of Employment. Written contracts provided to permanent staff define terms of employment consistent with Ecuador's national labor law, including number of work hours, wages and benefits, leave for illness, maternity, vacation, etc. The Instituto Ecuatoriano de Seguridad Social conducts spot inspections on labor or occupational health and safety matters. UDLA has always been found in compliance with national labor law. Minimum daily wage at is 366 USD/month.

iii. Workers' Organizations: UDLA has no Union, however there is full respect of workers' right to organize and bargain collectively.

iv. Non-discrimination and Equal Opportunity: The Company is a non-discriminatory and equal opportunity employer. The new construction will provide services to individuals with disabilities on an equal basis with the rest of the public following the ADA Accessibility Guidelines (Also known as ADA Standards for Accessible Design).

v. Retrenchment: No retrenchment is expected as result of the new operations.

vi. Grievance Mechanism (GM): Internal grievance mechanism ESMS procedures have been implemented since July 2015 for the use of UDLA's internal community (students, teachers, and all administrative personnel). Anonymous complaints are allowed. The procedure is continuously revised for improvement.

b. Protecting the Workforce

i. Child Labor/Forced labor: ESMS procedures are in place to ensure the minimum employment age at 18. Procedures also dictate that child labor and forced labor are forbidden within their direct operations and those of contractors.

c. Occupational Health and Safety: The Company conducts workplace job hazard analysis to prioritize preventive actions needed to eliminate or reduce the sources of accidents. Low accident rates illustrate the results of good OHS practices (LTIFR three-year average = 2.0). Noise, air pollution, and vibration measurements are performed to verify that national allowed limits are not exceeded. For critical areas in student laboratory training, use of laminar flows and Personal Protection Equipment (PPE) is specified for preparation of chemicals. UDLA has a management system procedure for monitoring radiation levels exposure of personnel during the operational phase. The use of PPE is prescribed as obligatory internally and with contractors, as per ESMS manual procedures, yet not fully enforced. As set forth in the ESAP, the Company will perform an OHS gap analysis and training to enforce use of PPE to employees (direct and contractor). UDLA will submit a final report to IIC with a certification from the UDLA task manager that all observed deficiencies have been corrected.

d. Life and Fire Safety System Design: UDLA performs 2 drills annually, including total and partial Campuses evacuations, and according to event scenarios that call for simulated volcanic eruption and earthquake. For the new construction, and as set forth in the ESAP, UDLA will develop and implement a management system procedure and Master Plan for Life and Fire Safety identifying major fire risks, applicable codes, standards and regulations, fire drills, and mitigation measures. The Master Plan must also be responsive to the elements described in NFPA and the WBG General EHS Guidelines. UDLA will engage consultant professional services of a NFPA Certified Engineer (acceptable to IIC) to prepare Master Plan (engineering design) and conduct during-and-post-construction inspections to verify that the system was installed as designed. Life and fire safety design shall be responsive to the NFPA international life safety code, the Ecuador life safety code, and the Life and fire Safety requirements of the WBG General EHS Guideline. At the end of construction, besides the approval of the Municipality of Quito, the Client will provide to IIC a third party certification by the NFPA certified professional, that the design and construction of life and fire safety systems for the Campus complies with the specifics of NFPA life and fire safety guidelines.

e. Workers Engaged by Third Parties: All HR principles are equally applicable to workers engaged by contractors.

4.3. Resource Efficiency and Pollution Prevention

a. Resource Efficiency: the Ecuadorian national grid provides energy to all operations of UDLA. Small back-up generators are used only in emergencies. Total annual electricity consumption is 100,000 KWh/annum. UDLA has implemented an energy saving plan that is technically and financially feasible. It includes the use of light bulbs with low wattage, a grid of solar panels installed in roof, and automated lighting systems. A similar approach will be used at the new Campus.

i. Greenhouse Gases: Annual emissions estimate indicate that UDLA does not exceed 25,000 tpa CO₂ equivalent threshold. In air conditioning applications, UDLA uses refrigerant R-410A (which contains only fluorine). And, R-410A does not contribute to ozone depletion. An estimate of GHG emissions will be provided by UDLA for the new Campus.

ii. Water Consumption: UDLA uses 600 m³/month of water during class work and 400 m³/ month during institutional holidays. Water is sourced from public sources. UDLA has no wells. UDLA has institutionalized a water saving plan. Overall water usage does not mean adverse impact on other water users (neighbors or nearby institutions).

b. Pollution Prevention

i. Wastes: Final disposal and recycling of paper and plastic waste is done through “Fundación Hermano Miguel”.

ii. Wastewater: The volume of wastewater produced is roughly 50m³/d of sanitary discharge. UDLA has implemented an effluent treatment plant that has a capacity to treat 240 m³/d. Treated effluent meets national guidelines and is used for irrigation in UDLA landscape. As set forth in the ESAP, UDLA will undertake effluent quality re-evaluation and compare results against local regulatory standards and applicable WBG EHS Guidelines showing that the current discharges meet PS3 objectives. If needed, implementation of remedial measures and proposed remediation schedule shall be presented to IIC for review.

iii. Hazardous Materials Management: The hazardous materials at UDLA consist of relatively small volume (circa 4 tons p.a.) of cleaners, flammable liquids, light tubes, and plastic. All hazardous materials are handled and transported to final dumping by authorized companies (Haswat and Biofactor).

iv. Pesticide Use and Management: UDLA management has contracted a licensed pest control company (Balin Fumigaciones) to eliminate rodents and insects from campuses premises. To protect students and employees, UDLA has agreed to eliminate as feasible WHO Class 1a and 1b chemical formulations. UDLA will develop an ESMS procedures manual, disseminate the procedure, and do training to ensure that contractors are in compliance with providing adequate personal protection equipment when using WHO 1a/1b formulations (if their eradication is not feasible). In all annual environmental reports to IIC, UDLA will include cholinesterase analysis results for contractor workers, and will inform IIC if there is any rotation policy of workers in contact with WHO Class 1a and 1b pesticides.

4.4. Community Health, Safety and Security

a. Community Health and Safety: All of UDLA’s campuses are surrounded by residential neighborhoods and keeps a good relationship with communities. As part of the ESMS will formalize a stakeholder engagement procedure and corporate community grievance mechanism.

b. Security Personnel: Operating ESMS procedures will include how security forces will be managed in accordance with IFC PS4 requirements as described in paragraph 12-14. UDLA will adhere to the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations. A corporate level ESMS procedure will be prepared to address and manage each identified risk in alignment with the VPs of the United Nations.

4.5. Land Acquisition and Involuntary Resettlement

a. General: According to legal documents presented by UDLA during the due diligence, all their land acquisitions or rentals are done within a willing buyer-willing seller framework. There will be an on-going Due Diligence on PS5 once the location will be determined.

4.6. Biodiversity Conservation and Natural Habitats

The project will not trigger PS6

4.7. Indigenous Peoples

UDLA will not trigger PS7.

4.8. Cultural Heritage

a. Protection of Cultural Heritage in Project Design and Execution

i. Chance Find Procedures: UDLA will prepare and implement an ESMS Chance Finds procedure during the construction phase. The procedure will be implemented in full compliance with Ecuador legislation requirements and as described in IFC Performance Standard 8.

5. Local Access of Project Documentation

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Quito, Ecuador

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- UDLA's library

6. E&S Action Plan

Universidad de las Américas (UDLA) Environmental and Social Action Plan (ESAP)		
Task/Title Description	Anticipated Completion Date	Indicator of Completion
ESMS Policy: The ESHS overarching Policy statement will be revised to fully align with the 2012 IFC Performance Standards, and it shall be updated to include reference to the intent of UDLA to support its commitments to: 1)Include reference to the intent of the project to support its commitments to manage external interactions through an active stakeholder engagement program and a mechanism to receive, and address stakeholder grievances; 2)Include a documented process to periodically revise the policies; and 3)Once updated, the policy will be communicated to contractors and stakeholders using best available communication procedures.	31/10/2016	Corporate Policy updated
ESMS Identification of Risks and Impacts: UDLA will present to IIC a formal ESMS procedure to address the significance of risks and potential impacts to neighboring communities.		Upgraded risk management ESMS procedure

<p>ESMS Management Programs: UDLA will:</p> <p>1) Formalize ESMS management procedures for community engagement including on-going reporting to communities; and a community grievance mechanism;</p> <p>2) ESMS management procedures for a Code of Conduct for the security personnel at the Company facilities, and manage each identified risk in alignment with the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations;</p> <p>3) Develop a procedure so that progress in ESMS improvements are verified by senior management;</p> <p>4) Develop an ESMS procedure to include management process indicators with targets;</p> <p>5) Ensure that the necessary resources are available.</p>	<p>1) 31/10/2016 2) 30/11/2016 3) 30/11/2016 4) 31/03/2017 5) 30/11/2016</p>	<p>Upgraded corporate ESMS management programs</p>
<p>ESMS Emergency Preparedness and Response: Present to IIC the updated corporate and specific emergency preparedness and response procedures that will include nearby communities that may be affected by UDLA operations. The Company has plans to address any impacts to ensure that the proposed operations comply with Ecuador laws and regulations; IFC environmental and social performance standards; and the WBG General Environmental, Health and Safety Guidelines. Training programs for Emergency Preparedness and Response shall be reviewed regularly.</p>	<p>15/02/2017</p>	<p>Updated corporate and specific emergency preparedness and response procedures</p>
<p>ESMS Monitoring and Review: UDLA will enhance their process for periodic monitoring and reporting to senior management. And, will adopt Key Performance Indicators (KPIs) to mainstream Environmental, Occupational Health and Safety and social parameters, including a) Safety - Lost Time Incident Frequency Rate (LTIFR - Number of lost time incidents per million hours worked); Accident Free Days (Number of Days since last Lost Time Incident); b) Sustainability - Water Usage (m3) and Energy Efficiency (kWh) - Wastewater monitoring effluents and any air emissions parameters; c) Social - Number of environmental and social complaints from communities.</p>	<p>15/02/2017</p>	<p>Report of KPI's annually</p>
<p>ESMS Stakeholder Engagement: UDLA will perform stakeholder mapping/analysis, and implement stakeholder engagement procedures.</p>	<p>31/01/2017</p>	<p>Stakeholder mapping and stakeholder engagement procedures</p>
<p>ESMS External Communication and Grievance Mechanisms: UDLA will implement an external communication system using best communication channels available, and operationalize an ESMS Corporate Community Grievance Mechanism (GM). The implemented ESMS procedure shall include dissemination of the GM and how individuals may register grievances publicly or anonymously with UDLA, brought to the attention of senior management, and resolved.</p>	<p>31/01/2017</p>	<p>Corporate Community Grievance Mechanism</p>
<p>ESMS Ongoing Reporting to Affected Communities: UDLA will issue, on annual basis in their website, a report meeting the Global Reporting Initiative's (GRI) Guidelines.</p>	<p>30/11/2017</p>	<p>GRI compliant Annual Report</p>
<p>PS 1 ESMS Compliant: UDLA is required to demonstrate a PS1 compliant Environmental and Social Management System (ESMS). UDLA will provide to IIC, for review and clearance, its Procedures Manual.</p>	<p>30/11/2017</p>	<p>Procedures manual for the ESMS</p>

Compliance with the PS1 ESMS element requirements will be verified by IIC through site supervision visit.	30/11/2017	PS 1 ESMS Compliant
Environmental and Social Impact Assessment (ESIA): Following PS1 guidance note, UDLA will present to IIC for review and approval the environmental and social impact assessment (ESIA) and the environmental and social Management Plan for the construction and operational phase. It will include all applicable WBG General EHS Guidelines and IFC performance standards.	31/10/2016	PS1 ESIA Compliant
Occupational Health and Safety: UDLA will perform an OHS gap analysis and training to enforce use of PPE to employees (direct and contractor). UDLA will submit a final report to IIC with a certification from the UDLA task manager that all observed deficiencies have been corrected.	30/11/2016	Report on OHS
Life and Fire Safety System Design: UDLA will develop and implement a management system procedure and Master Plan for Life and Fire Safety (L&FS) identifying major fire risks, applicable codes, standards and regulations, fire drills, and mitigation measures. The Master Plan must also be responsive to the elements described in NFPA and the WBG General EHS Guidelines. UDLA will engage consultant professional services of a NFPA Certified Engineer (acceptable to IIC) to prepare Master Plan (engineering design) and conduct during-and-post-construction inspections to verify that the system was installed as designed. Life and fire safety design shall be responsive to the NFPA international life safety code, the Ecuador life safety code, and the Life and fire Safety requirements of the WBG General EHS Guideline. At the end of construction, besides the approval of the Municipality of Quito, the Client will provide to IIC a third party certification by the NFPA certified professional, that the design and construction of life and fire safety systems for the Campus complies with the specifics of NFPA life and fire safety guidelines.	1) Master Plan: 30/11/2016 2) NFPA Certified Engineer: 30/10/2016 3) NFPA Certification: 31/12/2017	NFPA certification
Greenhouse Gases: An estimate of GHG emissions will be provided by UDLA for the new Campus.	30/11/2016	GHG emissions report
Wastewater management: UDLA will undertake effluent quality re-evaluation and compare results against local regulatory standards and applicable WBG EHS Guidelines, showing that the current discharges meet PS3 objectives. If needed, implementation of remedial measures and proposed schedule shall be presented to IIC for review.	30/11/2016	Wastewater Quality Report
Pesticide Use and Management: UDLA will eliminate as feasible WHO Class 1a and 1b chemical formulations for rodent and pest control. UDLA will develop an ESMS procedures manual, disseminate the procedure, and do training to ensure that contractors are in compliance with providing adequate personal protection equipment when using WHO 1a/1b formulations (if their eradication is not feasible). In all annual environmental reports to IIC, UDLA will include cholinesterase analysis results for contractor workers, and will inform IIC if there is any rotation policy of workers in contact with WHO Class 1a and 1b pesticides.	31/01/2017	Pest Management ESMS Procedure Manual

<p>Security Personnel: Operating ESMS procedures will include how security forces will be managed in accordance with IFC PS4 requirements as described in paragraph 12-14. UDLA will adhere to the Voluntary Principles (VPs) on Security Forces and Human Rights of the United Nations. A corporate level ESMS procedure will be prepared to address and manage each identified risk in alignment with the VPs of the United Nations.</p>	30/11/2016	Security Operating ESMS procedures including alignment with the UN Voluntary Principles on Security Forces and Human Rights
<p>Land Acquisition and Involuntary Resettlement An ESAP item and Indicator of Completion will be indicated once the Due Diligence on PS5 is finalized.</p>		
<p>Chance Find Procedures: UDLA will prepare and implement an ESMS Chance Finds procedure during the construction phase. The procedure will be implemented in full compliance with Ecuador legislation requirements and as described in IFC Performance Standard 8.</p>	30/11/2017	Report on Chance Finds