

## ENVIRONMENTAL AND SOCIAL DUE DILIGENCE DISCLOSURE REPORT

### Ecuador – Six Senses Cerro Verde Ecolodge project

#### **Project Description**

Six Senses Cerro Verde is an ecotourism project located in Cerro Verde, San Cristóbal, Galapagos, that aims to demonstrate how exceptional ecotourism can contribute to the protection and restoration in the Galapagos. The project seeks to offer an alternative to carbon intensive tourism development and unsustainable consumption patterns, increase ecosystem resilience in high-value biodiverse areas, and engage local communities and island inhabitants on climate mitigation and adaptation, all while offering a best-in-class traveler experience. By placing the reduction of invasive species and protection of endangered species at the core of value creation, the holistic ecotourism model serves as a new region-wide approach. The land where the project will be built has an approximate area of 22 hectares, and is located in the rural part of the island. It does not intersect with the protected natural area of the Galapagos National Park. The tourist accommodation project on which this report is carried out has 35 rooms and 70 accommodation places.

#### **Investment Case**

Whilst tourism is critical to the region's development, the Galapagos Islands have a unique biological diversity that needs to be protected. Wildlife and natural features such as beaches, coral reefs, and forests are the basis of the tourism industry and visitor experience. However, traditional tourism is increasingly dangerous to biodiversity. The Galapagos Islands are especially susceptible to the introductions of non-native and sometimes aggressive invasive species through accidental transport on boats, airplanes, or cargo given the dependency on imports. Moreover, the Galapagos archipelago is one of the region's most vulnerable to climate change (Di Carlo et al, 2010). Consequently, an ambitious paradigm shift towards low-impact and climate-resilient tourism development is urgently needed to ensure the region can prosper without comprising its natural heritage.

Pegasus Capital Advisors is considering an equity investment to serve as a capital partner to the project sponsor, Orgal S.A. – an Ecuadorian company – in the creation of a luxury ecolodge on San Cristóbal Island in the Galapagos. The anticipated construction timeframe is 2.5 years.

#### **Intended beneficiaries**

The goal of the project is to create a holistic, inclusive ecotourism ecosystem that can not only protect biodiversity, but also is vital to food security and livelihoods for local communities. Key stakeholders of the project are the surrounding communities of the site which are directly affected by the project. This includes the rural community which consists primarily of farmers that work in agricultural production. The project also involves the broader community on San Cristóbal Island who work in hospitality, tourism, fishing, the National Park Services, and government-related services that should benefit from the project. The project aims to maintain cultural values and nature conservation. Key benefits of the project for affected stakeholders include:

- **Local Employment:** During both the construction and operations phase the ecolodge aims to create direct and indirect employment opportunities for the local population, more broadly in the hospitality sector;
- **Gender equity:** A significant amount of employment opportunities should be created for women taking into account context specific needs;

- **Eradication of invasive species and introduction of native species on the project site:** Controlling invasive species by replacing invasive species with native species in conjunction with the National Park Service and working with local farmers in the vicinity of the ecolodge to reduce imports of invasive species from the mainland;
- **Sustainable sourcing of produce by collaborating with local farmers:** The project aims to work with farmers to train them on sustainable agricultural practices, improved planification, and post-harvest processing activities. Our goal is also to connect farmers to markets to improve livelihoods and reduce food import from the mainland, reducing the risk of introducing invasive species on the island;
- **Improved education:** Educational activities and capacity-building are an integral aspect of every activity in the project – from constructing to operating – and targets all key stakeholders, such as local communities and visitors. The goal is to inform them about the socio-economic importance of nature conservation, promoting participatory management models and nature tourism;
- **Sustainable building and emissions reduction of up to 50%:** The main planning philosophy of the ecolodge is to create a sustainable destination that includes low-impact accommodations and related hospitality facilities based on a thorough energy, waste, materials, and water management system that ensures environmental-friendly and efficient use of resources that is expected to halve emissions compared to an equivalent hotel. The ecolodge will be LEED-certified.

#### **Duration of the proposed sub-project**

Six Senses Cerro Verde is an ecolodge development project. The current construction schedule for the development of the hotel is estimated to be 2.5 years; thereafter, SCF aims to hold and operate the ecolodge to asset stabilization over 5 years. The investment team aims to pursue exit upon stabilization, pending market conditions. Nevertheless, SCF has the flexibility to maintain the investment for a longer period given that the facilities have a life of 30 years or more.<sup>1</sup>

#### **Scope of Review**

Pegasus' environmental and social due diligence (ESDD) and appraisal included:

- A review of Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management Plan (ESMP), E&S related documentation from contractors
- A Reputational Risk Review (RRR)
- ESDD questionnaire/ interviews with the project sponsor and contractors and on-site visits

The appraisal focused on reviewing the ESIA, ESMP, contractor's E&S related documentation procedures vis-à-vis federal, state, and municipal applicable legislation, IFC Performance Standards and applicable World Bank Group (WBG) EHS Guidelines, and Gold Standard.

#### **Environmental and Social Categorization and Rationale**

This is a Category B project according to the Subnational Climate Fund's Environmental and Social Management System, which is aligned with IFC' risk categorization. Based on information reviewed during appraisal, the project is designed, as described in the sections below, to avoid, minimize and manage E&S risks and impacts of the project in compliance with national legal and regulatory requirements and IFC Performance Standards. Key E&S issues associated with this investment relate mainly to the project's E&S management plan to ensure construction and operations of the project in line with IFC Performance Standards; assurance of fair, safe and healthy working conditions for employees and contracted workers

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<sup>1</sup> There can be no guaranty that the duration of the sub-project will have the duration described as transactions will be conducted on attractive terms

during construction and operation; management of air, energy, waste and wastewater from proposed construction and operations; impacts on community and biodiversity; and energy efficiency of the operations.

It should be noted that the project site is in the agricultural area of San Cristóbal Island, outside the limits of the protected areas such as Galapagos National Park and the Galapagos Marine Reserve that are legally recognized at the national level, and the land is a type of modified habitat, where the original ecosystem has been transformed and degraded by the agricultural activity with a strong presence of invasive species. The land has been dedicated to agricultural activity for decades, which was gradually abandoned and as a consequence of this abandonment of traditional use of the land, invasive species mainly grasses, blackberry, cedrela and guava, have transformed and degraded the previously existing natural ecosystem.

The projects features restoration activities on the site, to recover the original ecosystem and plant endemic species, such as miconia and guayabillo, typical of the area, which also constitute or could constitute habitats of great importance for endemic species or species with a restricted distribution range, such as the peg-footed petrel.

### **Reputational Risk Review**

A RRR's objective is to assess a company's E&S Reputational issues using free public sources of information (Internet) in a methodological way. The Methodology includes:

- Google search using key words (such as "Six Senses Cerro Verde + Galapagos + environmental", "Orgal S.A. + corruption", "Six Senses Cerro Verde + Galapagos + human rights", etc.)
- The screening of a set of strategic web sites (e.g. Land matrix, Environmental Justice Atlas, Global Forest Watch, WWF, Greenpeace, Human Rights Watch, Amnesty International etc.)
- Screening of Social Media platforms including Facebook and Twitter.

The RRR can extend to a particular sector and geography that are relevant for the target company. It can also extend to other specific matters that are relevant for the assessment (Corruption Perception Index, Human Development Index, etc.).

The RRR of the Project covers the activities of Six Senses Cerro Verde and the project sponsor Orgal S.A. There were no direct or indirect hits.

### **Environmental and Social Assessment and Mitigation Measures**

The Subnational Climate Fund's (SCF) appraisal considered the environmental and social management planning process and documentation for the project and mitigation measures to address the risks. Most critically, this includes the Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management Plan (ESMP):

- Spanish version the ESIA and ESMP (original):  
[https://d1xeoqaoqyzc9p.cloudfront.net/app/uploads/2023/08/Updated-ESIA-and-ESMP-Six-Senses-Cerro-Verde\\_vF\\_ES\\_compressed.pdf](https://d1xeoqaoqyzc9p.cloudfront.net/app/uploads/2023/08/Updated-ESIA-and-ESMP-Six-Senses-Cerro-Verde_vF_ES_compressed.pdf)
- English version of the ESIA and ESMP:  
[https://d1xeoqaoqyzc9p.cloudfront.net/app/uploads/2023/08/Updated-ESIA-and-ESMP-Six-Senses-Cerro-Verde\\_vF\\_EN\\_compressed.pdf](https://d1xeoqaoqyzc9p.cloudfront.net/app/uploads/2023/08/Updated-ESIA-and-ESMP-Six-Senses-Cerro-Verde_vF_EN_compressed.pdf)

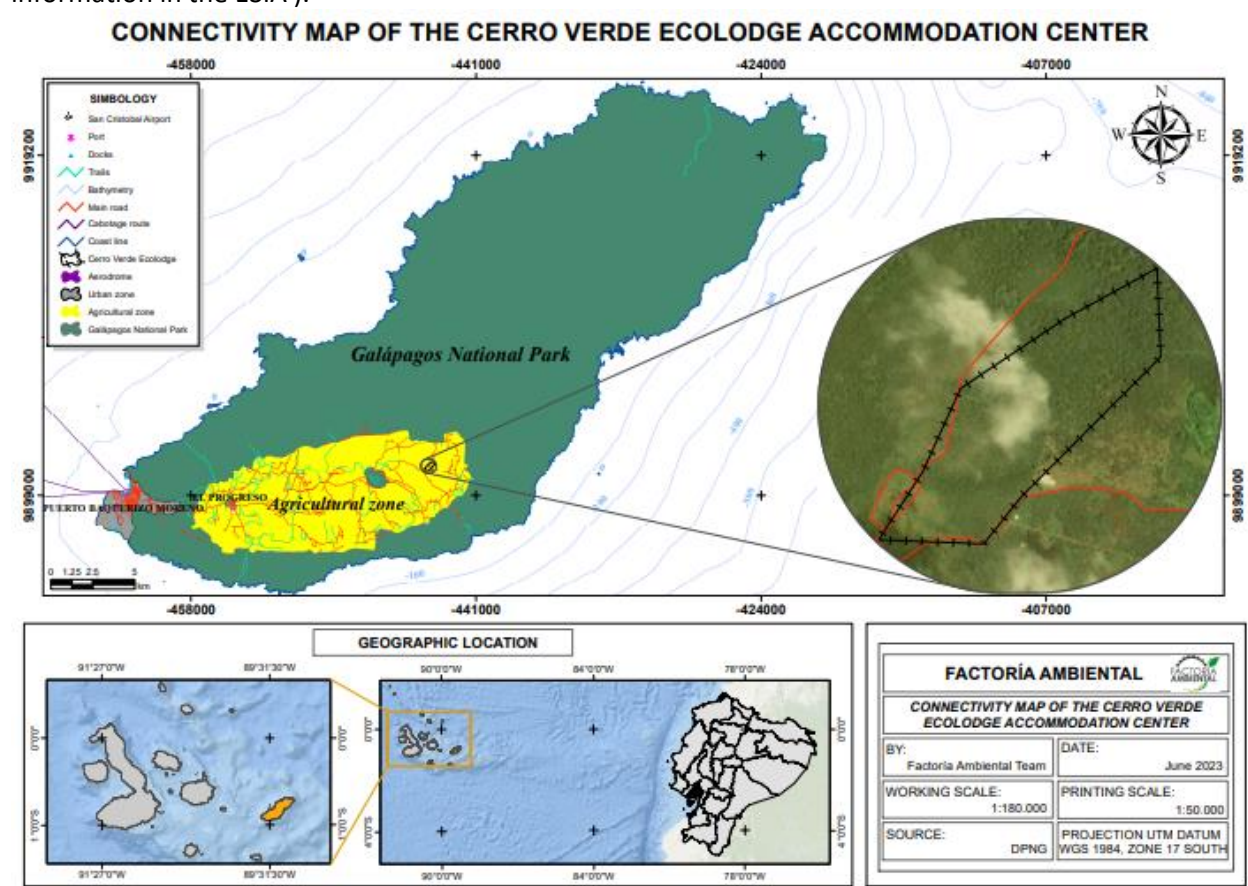
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Through the implementation of these measures, the project is expected to be designed and operated in accordance with IFC Performance Standards objectives. The project complies with national and local regulations and SCF's reference framework.

### **Project Site:**

At the international level, in 1978 the Galapagos National Park was designated by UNESCO as a Natural Heritage of Humanity and in 2001 this declaration was extended to include the Galapagos Marine Reserve within the declaration. The urban and rural areas of Galapagos were not considered within this international declaration. Later in 1984, UNESCO designated the Galapagos archipelago as a Biosphere Reserve with the name “Colón Archipelago Biosphere Reserve”, ratified in 2008 by the Ecuadorian State through Ministerial Agreement No. 168/2008. In its original designation, only the land area was included with 772 thousand hectares, but currently it is one of the largest Biosphere Reserves in the world, thanks to the inclusion of the Galapagos Marine Reserve in 2019.

As mentioned in the ESIA, the land where the project will be developed is located in the agricultural area of San Cristóbal Island, outside the limits of the protected areas: Galapagos National Park and the Galapagos Marine Reserve, legally recognized at the national level. (See map below and find more information in the ESIA ).



In recognition of their importance and their vulnerability to the growth of human activities, the islands were designated a World Natural Heritage Site in 1978 , a UNESCO Biosphere Reserve in 1984 , a Ramsar Site of International Importance in 2002 , a Marine Sanctuary in 2006 and In 2018, the Colón Archipelago Biosphere Reserve included the Galapagos Marine Reserve in its delimitation.

The designation of a Biosphere Reserve is a challenge for comprehensive and sustainable territorial management, which fulfills the three functions that every Biosphere Reserve must guarantee in its territory: conservation, sustainable development and logistical support:

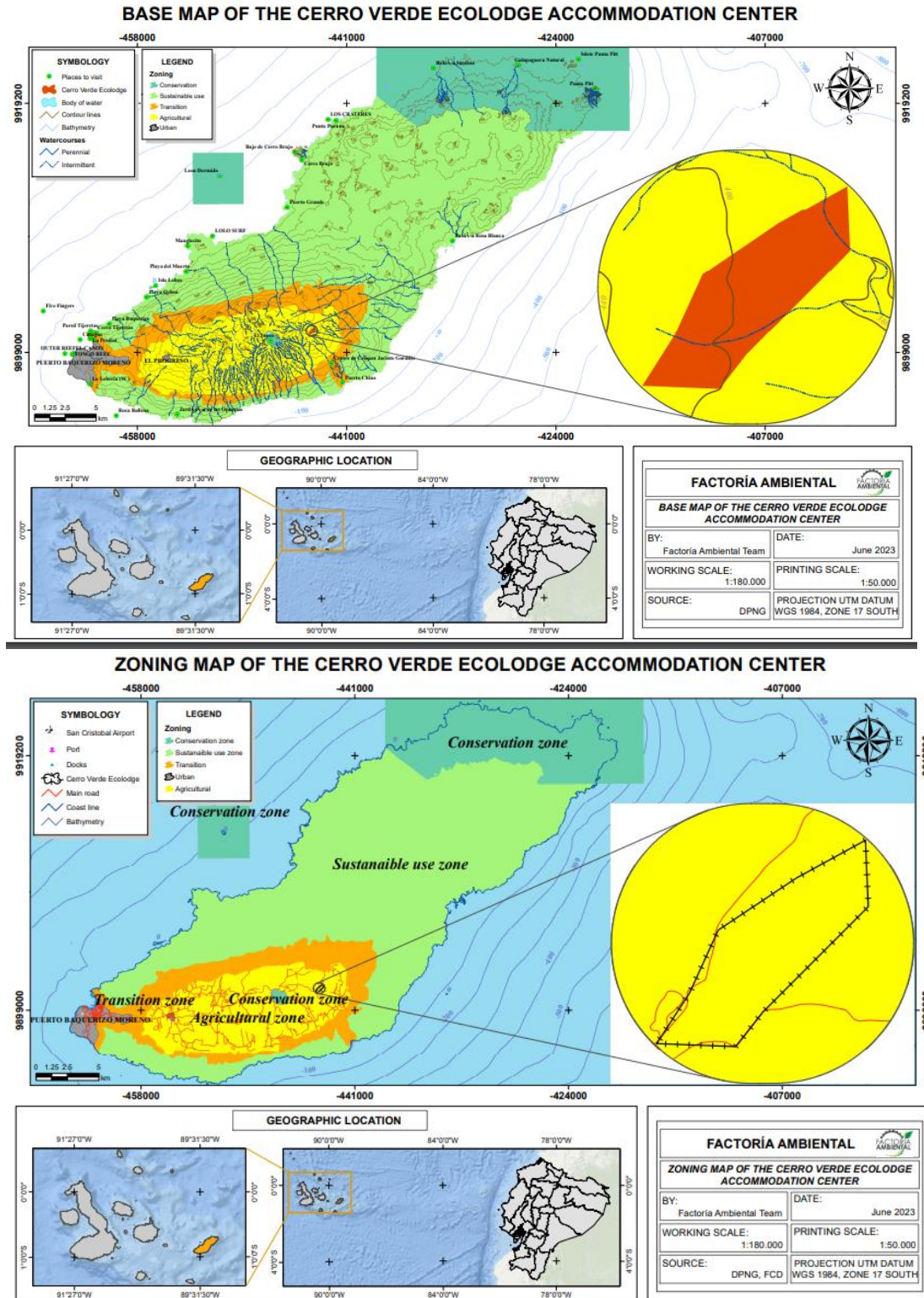
- The conservation function, aimed at the protection of genetic resources, species, ecosystems and landscapes.
- The development function, which aims to promote sustainable economic and human growth from sociocultural and ecological points of view. In this context, it is possible to carry out various productive activities, which must be subject to current national standards, to ensure and consolidate the three pillars of sustainable development: social, economic and environmental protection.
- The logistical support function, which aims to promote research, environmental education, training and monitoring activities, related to local, national and global conservation and sustainable development issues.

To fulfill these three functions, UNESCO proposes that biosphere reserves develop a zoning scheme, through which permitted activities and uses are regulated and ordered. This scheme consists of three zones that fulfill three related, complementary and mutually reinforcing functions:

- The core area is made up of a strictly protected ecosystem, which contributes to the conservation of the landscape, ecosystems, species and genetic variations. A biosphere reserve may have one or more legally constituted core zones, where research and other low-disruptive activities are permitted.
- The buffer zone, which normally surrounds the core zone, where activities compatible with ecological practices are carried out that can contribute to research, monitoring, training and scientific education. In this area you can carry out activities such as environmental education, recreation, sustainable tourism and applied and basic research.
- The transition zone is the strip of the reserve where a greater number of activities are authorized to promote sustainable economic and human development from the social, cultural and ecological points of view. It is considered a multiple-use area, in which activities for the sustainable use of resources such as agriculture can be developed.

Although Galapagos has been a Biosphere Reserve since 1984, it has also been a National Park since 1959 and a Marine Reserve since 1998, and since then several zoning schemes have been developed whose scheme responds to the particular spatial and territorial configuration of the protected areas of Galapagos.





Regarding the zoning scheme of the Biosphere Reserves, the Management Plan of the Galapagos National Park establishes that: “The uniqueness that characterizes Galapagos in almost all areas is also manifested in its peculiar territorial structure in relation to the other protected areas included in the Man and the Biosphere Programme (MAB). As shown in the zoning map of the Galapagos protected areas, while in the

vast majority of the Biosphere Reserves there is a protected central core, surrounded by intervened areas in which human activities compatible with conservation objectives take place, in Galapagos this situation is reversed, since it is the protected area that surrounds the rural and urban areas in which anthropogenic activities take place (Conservation International, 2017).

Considering this legal framework and international recognition, for the classification of the habitat according to the EAS6 criteria, the land where the project would be built is under international recognition as a Biosphere Reserve, as is the entire archipelago, so it is must ensure that project activities are consistent with the state's legal protection and management objectives of the area. Furthermore, it must identify and evaluate potential adverse impacts related to the project and apply the mitigation hierarchy to avoid or mitigate adverse impacts of projects that could compromise the integrity, conservation objectives and importance of biodiversity in such area.

In this sense, as shown on the map, the land where the project will be built is located outside the areas of the Galapagos National Park, within the agricultural-urban zones, for which the territorial planning instruments (see chapter of the Framework Legal and institutional), as well as the zoning of protected areas and the Biosphere Reserve, contemplate the possibility of developing sustainable productive activities, as spaces of opportunity for sustainable development compatible with the conservation of ecosystems and their biodiversity. In addition, the legal framework obliges the proponents of tourism projects to follow environmental guidelines related to the identification and evaluation of impacts and the design and application of Environmental and Social Management Plans to avoid or mitigate negative impacts of the project, as well as its periodic monitoring and reporting to the Environmental Authority through the mechanisms established for this purpose.

In addition to this, it should be noted that the land where Cerro Verde Ecolodge is planned to be built, acquired by the current owners in 2011, has been dedicated to agricultural activity for decades, which was gradually abandoned and as a consequence of this abandonment of traditional use of the land, invasive species mainly grasses, blackberry, cedrela and guava, have transformed and degraded the previously existing natural ecosystem.

### **Applicable IFC Performance Standards:**

Applicable IFC Performance Standards include PS 1, 2, 3, 4, 6. The ESIA confirmed that IFC Performance Standard 5, 7 and 8, relating to territories with the presence of indigenous communities and historical and cultural heritage to be protected, do not apply to the project, since there are no indigenous communities, the land to be intervened is the private property of the project sponsor and no resettlement has occurred. There are also no elements related to cultural historical heritage in Galapagos that could be affected by this project. IFC Performance Standard 6 refers to biodiversity conservation, an aspect described in the Baseline chapter of the ESIA and subsequently in the ESMP through measures planned to manage impacts and contribute positively and significantly to biodiversity conservation and sustainable management of natural resources.

### **PS 1: Assessment and Management of Environmental and Social Risks and Impacts**

#### **Identification of Risks and Impacts:**

In March 2016, the Consejo de Gobierno de Régimen Especial de Galápagos (CGREG) (the Governing Council of Galapagos) approved the "Construction and Operation of the Cerro Verde Ecolodge Accommodation Center" project, subject to compliance with environmental parameters and regulations. Subsequently, an Environmental and Social Impact Assessment (ESIA) and Environmental and Social

Management Plan (ESMP) were approved on May 9, 2017. Environmental and Social Risks and Impacts were analyzed as part of the ESIA. This included an integrated assessment to identify the environmental and social baseline, environmental and social impacts, risks, and opportunities of the project during both construction and operation. In September 2022, the CGREG authorized an increase in the project's capacity to accommodate more tourists. The ESIA was updated by a qualified third-party consultant to reflect the increase of the project's capacity and to assess the project's environmental and social impacts in accordance with SCF's requirements given that the initial ESIA had some gaps against SCF's reference framework. More information about the risks and mitigation measures can be found below.

Risk mitigation measures:

The ESMP of the project determines the actions that must be developed to prevent, control, mitigate, control, correct or compensate negative impacts as well as enhance positive impacts. In the study, the components of the project were determined and an area of direct influence and one of indirect influence are considered for the proposed Management Plan. The area of direct influence is made up of the entire area in which the project will be built, which includes the trails and facilities of the ecolodge. The area of indirect influence is considered the area of possible affectation, that is, an area around the site of the project, especially the community of Cerro Verde. The ESMP proposes specific measures for the projects in its area of direct and indirect influence. The ESMP is designed so that the project sponsor can develop its activities in application of its competences, as well as manage those that require the intervention of other institutions. It includes the following topics:

1. **Impact prevention and mitigation plan:** Corresponds to actions aimed at minimizing negative impacts on the environment in the different stages of project operations.
2. **Contingency and emergency plan:** Includes the detail of the actions, as well as lists and quantities of equipment, materials and personnel to face eventual accidents and emergencies in the infrastructure or management of supplies, in the different stages of operation of the project.
3. **Information and training plan:** Includes an information and training programme on the elements and implementation of ESMP for all personnel in the construction and operation phase consistent with the functions they perform.
4. **Waste management plan:** Includes the concrete measures and strategies to be applied in projects, works or activities to prevent, treat, recycle / refuse and dispose of the different hazardous and non-hazardous wastes.
5. **Community relations plan:** It includes a program of activities to be developed by the project sponsor with the community of San Cristóbal, and social actors of the area of influence of the same, including a program of hiring local labor, and policies and procedures to be used for hiring.
6. **Plan for the rehabilitation of affected areas:** It includes the measures and strategies to rehabilitate the affected areas.
7. **Wildlife rescue plan:** Includes measures to avoid direct negative impacts on wildlife present in the area of influence of the project.
8. **Plan of abandonment and closure of the project:** It includes the proposed activities if the project is abandoned or will be closed.
9. **Monitoring and follow-up plan:** The ESMP defines the systems for follow-up, evaluation, environmental monitoring, and community relations to adequately control the impacts identified in the ESIA and compliance with the ESMP as well as the corrective actions proposed therein.

The 6. Plan for rehabilitation of affected areas and 7. Wildlife rescue plan can be jointly considered the Biodiversity Action Plan.



Organizational Capacity and Competency: The project sponsor will ensure that the EPC Contractor and Operator comply with the requirements outlined in the ESMP and any other applicable plans and requirements, particularly regarding occupational health and safety and labor rights. The Project Manager (PM) will coordinate with the EPC contractor to ensure that the contractor has an effective environmental and social management system (ESMS) for the construction period. The EPC Contractor will be responsible for ensuring that its sub-contractors also establish an ESMS to effectively implement the requirements of this ESMP. The project sponsor will be responsible for communicating necessary information to the people of the nearby villages, managing their various concerns especially regarding disturbances to them due to the increased level of activity at the site, especially noise, vehicular traffic, and the presence of construction workers.

In addition, the Information and Communication Plan included in the ESMP includes that the staff at the project should be educated about environmental regulations and the current Management Plan, which ensures sustainable practices. This includes training and awareness building around the area's conservation status, hydrological systems, flora, and fauna to preserve biodiversity and ecosystems. Regular talks on security measures and rapid response to risks are necessary to ensure safety. Proper handling of hazardous and non-hazardous waste should be emphasized.

Contingency and Emergency plan: The contingency and emergency plan is included in the ESMP and aims to respond immediately to accidents, emergencies, and setbacks that may occur during the accommodation's normal operation. The plan focuses on developing safe practices, identifying and evaluating risks, proposing mitigation measures, and implementing continuous improvement and training processes for the staff. The plan covers various contingencies, including fire, medical emergencies, tsunamis (although the project is not directly at risk), and general emergencies. It involves developing procedures for each contingency, conducting drills and training sessions for employees, providing proper signage and safety equipment, establishing an emergency brigade, and maintaining safety implements regularly.

Monitoring and Reporting: The Monitoring Plan aims to ensure the proper execution of the ESMP and the compliance with environmental regulations. It involves regular monitoring and evaluation of various aspects, including compliance with the plan, electricity and water consumption, hazardous waste declaration, preventive maintenance, emission of noise and gases, and water quality. Monitoring must be conducted by certified laboratories adhering to the ISO 17025 standard and endorsed by the Ecuadorian Accreditation Body (OAE).

Stakeholder Engagement Plan: To address concerns and to better understand the expectations of stakeholders, the project sponsor has held two stakeholder consultations and developed a stakeholder engagement plan. The first consultation was held in 2015. The most recent has taken place in 2022. In addition, the architectural team conducted interviews with conservation and social organizations, local people, and tourists and held a participatory meeting with the local people from the village of Cerro Verde. Stakeholders represented a wide range of demographics – from children to elderly. The recommendations from these workshops directed the program of operations for project. This was then followed by a participatory planning charette that was held with local consultants. Pegasus has also visited the site and consulted with multiple stakeholders, notably the President of the Government Council of the Galapagos, the Parish Council Rural Zone and National Park Service. In addition, there was a dedicated consultation with a group of women from the rural zone to discuss challenges and opportunities they face, such as lack of job and educational opportunities, and how Six Senses Cerro Verde can support them. A Stakeholder Engagement Plan was developed which outlines frequent consultations to ensure the inclusivity of the

project. In addition, the grievance mechanism was communicated during the consultation and is implemented.

Grievance Mechanism: As part of the stakeholder engagement plan, a grievance mechanism was established. During a consultation with affected stakeholders on 25th September 2022, stakeholders and ORGAL SA agreed that all requests and consultations can be made to:

- Orgal S.A. Contact: Ernesto Baquerizo, ebaquerizo@orgalsa.com cell number (+593)981200127.
- Gold Standard Contact: help@goldstandard.org
- Pegasus Capital Advisors Contact: feedback@pcalp.com
- Green Climate Fund contact: <https://irm.greenclimate.fund/case-register/file-complaint>

The project office is located at the entrance to the land where Cerro Verde Ecolodge will be built, where staff are available during normal office hours to receive suggestions and complaints from the community. The ESIA will also be physically available for the general public to review. The address is Six Senses, Cerro Verde, 3KM before reaching the Cerro Verde community on the road to Puerto Chino, “El Progreso” Rural Parish, San Cristóbal Island. A Grievance Expression Process Book will also be available on site.

Fire safety: Fire prevention, protection, suppression, and control measures are part of the Contingency and Emergency Plan outlined in the ESMP. Permanent training programs are carried out annually to equip staff with the necessary skills to respond to emergencies. Signage indicating emergency exits, escape routes, fire extinguishers, and emergency contact numbers is displayed prominently throughout the facility. Furthermore, the project aims to establish an emergency brigade, equipped with safety gear and trained in emergency response and equipment management. Regular maintenance of safety implements, such as fire detection systems, first aid kits, and firefighting equipment, should be carried out every six months to ensure their functionality.

## **PS 2: Labor and Working Conditions**

Human Resource Policy & Procedures for labor and occupational health and safety risks: Main risks related to labor conditions and occupational health and safety during construction and operation of the project. As part of the ESMP, the project sponsor has to make sure that the EPC Contractors and Operator comply with the requirements outlined in the ESMP and any other applicable plans and requirements, particularly regarding occupational health and safety and labor rights.

The construction company and ecolodge operator were assessed against their labor conditions:

- *Construction company:* The construction company, SEMAICA, is one of the leading construction companies in Ecuador. It has sustainability standards and occupational risk prevention certification in place such as ISO 9001:2015, ISO 45001, ISO 19650 and ISO 14001-2018 certified and part of the UN Global Compact. SEMAICA is international and national certifications in sustainable design and construction (e.g. EDGE or LEED certification). In addition, it has a “zero accidents” plan and “get home safe and sound” plan.
- *Ecolodge operator:* Given that Six Senses is part of IHG, it has to comply with the group’s labor standards, promotion of diversity and inclusion, human rights protection, and policies related to

health, safety, and well-being for its employees, guests, and communities by complying with health, safety, and security laws, and implementing mandatory Brand Safety Standards.

Local hiring and training: The project aims to hire local employees. During operations, the projects aims to hire 80% permanent residents of Cerro Verde and the island, to work directly in the project and be in compliance with the labor legislation and regulations in force of the Ministry of Labor Relations and the Department of Residence Control of the Galapagos Governing Council. In addition, the projects aims to hire at least 20% of residents in managerial positions. As part of the ecolodge operator's policy, training will be conducted to hire local employees. Hiring and training of these employees starts around 6 months out to opening date (phased hiring program for the opening). Also during the construction phase, the project aims to hire residents of the Cerro Verde community for direct or indirect work.

### **PS 3: Resources Efficiency and Pollution Prevention**

The project can lead to emissions and pollution during construction and operations through energy consumption, water usage, waste and wastewater generation, transportation activities, food and beverage practices, cleaning and maintenance processes, and building materials. Particularly during the construction phase of the ecolodge, temporary noise, vibrations, and emissions may occur.

Resources Efficiency and Emissions: The project aims to achieve the Leadership in Energy and Environmental Design (LEED) which is a green building certification program used worldwide. Developed by the non-profit U.S. Green Building Council (USGBC), it includes a set of rating systems for the design, construction, operation, and maintenance of green buildings which helps project developers and operators to be environmentally responsible and use resources efficiently across six categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environment quality and design innovation. The project aims to achieve LEED Gold certification by implementing a comprehensive set of sustainability strategies. These include offsetting 51% of the site's energy consumption with on-site photovoltaic panels which will avoid CO2 emissions, incorporating natural ventilation by strategically orienting buildings to take advantage of wind patterns, and implementing a high-performing building envelope to insulate and reduce energy use. Moreover, the project maximizes natural daylight access to reduce the need for interior lighting, utilizes ENERGY STAR or equivalent appliances and efficient lighting, and employs low-flow water fixtures/fittings to conserve water. Additional water conservation measures include rainwater collection directly drained to tanks and to be sized for a wide range of precipitation variability with storage tank capacity. In addition, the landscape is designed with native plants to minimize irrigation needs, and rainwater capturing and sewage treatment provide a non-potable water source for reuse. Moreover, low impact refrigerants and external lighting that minimizes light pollution are used throughout the site. On-site gardens and orchards provide local food, shading of paved areas minimizes heat gain, and permeable paving reduces runoff. The project prioritizes the use of local and materials with Environmental Product Declarations (EPDs) where possible and ensures all resort vehicles are electric. In addition, the project aims to use eco-friendly materials like volcanic rock, bamboo sticks, tiles, and clay tiles for construction. Recycling, composting, and glass crushing facilities are also present to further enhance sustainability efforts. Finally, the project has a zero-plastic strategy in place and plans to have a water reverse osmosis plant and crystal water refinery, which produces mineralized water without any carbon footprint.

Pollution Prevention: The Waste Management Plan aims to handle the solid waste generated during the project while complying with environmental regulations and minimizing waste generation. It includes two programs: the Solid Waste Management Program and the Hazardous Waste Management Program.

For solid waste, actions involve developing a waste management plan, implementing a separation and classification system at the source, reducing plastic usage, composting kitchen waste and fallen leaves for garden use, and disposing of non-hazardous waste through an authorized manager. Proper containers are used to prevent bird and insect interaction. For hazardous waste, actions include obtaining the Hazardous Waste Generator Registration, installing labeled containers, recording the generation of hazardous waste, and delivering it to an authorized manager for final disposal. The waste management plan includes a designated space for the final separation of waste, conveniently located for collection by public or private waste managers. To reduce waste generation, strategies are implemented, such as purchasing products in returnable containers, opting for products with reduced packaging, avoiding toxic or polluting items, and practicing selective waste collection. Informative signs will be installed to promote proper disposal practices, and a record of waste generation will be maintained for decision-making purposes.

Construction waste is sorted into recyclable, non-recyclable, organic, and toxic categories based on municipal standards, and containers are labeled accordingly. The focus of waste management is on minimizing waste generation, and hazardous waste is delivered to authorized managers by the municipality. To minimize noise pollution and disturbance during transportation and construction activities, the project will maintain low vehicle speeds, install noise-insulated walls for generators and machines, and use tarpaulins on dump trucks while keeping intervention sites moist to reduce noise and dust emissions.

The management, purification and treatment of wastewater is one of the relevant factors to achieve the rational and sustainable use of surface and underground aquatic resources, ensure adequate health conditions of guests and maintain the quality and biodiversity of wildlife in the natural ecosystem. Mitigation measures include separating grey water from black water using different hydrosanitary systems, installing a wastewater treatment plant to recycle water for reuse, and utilizing treated water for garden irrigation. The sewage system consists of the collection of all sewage from toilets, showers, sinks, sinks, urinals, etc. throughout the project in several strategically located pumping wells to pump it to the wastewater treatment plant where it will be treated. Remaining sludge can be potentially dried and used as fertilizer. Additionally, there are plans for instructing construction personnel on water conservation, adopting eco-friendly cleaning products, and maintaining the hydrosanitary system properly, along with recording sludge generation and treatment plant maintenance for effective management.

Detailed measures can be found in the ESMP.

#### **PS 4: Community Health, Safety and Security**

Relationships with the local community of Cerro Verde and the promotion of sustainable development in the area are important. Activities outlined in the ESMP include the open communication channels with the community to receive suggestions, hiring permanent residents for the project's workforce, providing technical assistance to the agricultural sector, optimizing the water collection system for agricultural use, delivering educational materials, purchasing agricultural products from local residents for the ecolodge's operations, promoting and marketing handicrafts produced by the community, and supporting the community with the sustainability fund to finance socio-cultural and educational activities.

Visitor traffic and tourism can also impact the local communities and wildlife. Therefore, the Communication and Information Plan aims to promote knowledge of the natural resources in the Galapagos province, emphasizing their conservation and regulations to reduce the risks of introduced

species. It includes two programs: a staff information and training program and a communication and environmental education program for tourists. For the staff program, actions involve informing about environmental regulations, the ecolodge's Management Plan, conservation status, flora, fauna, and conducting periodic talks on security measures. The tourist program focuses on communicating project activities, the importance of maintaining endemic biodiversity, and organizing nature interpretation excursions. Informative posters are placed throughout the project to promote good environmental practices, and tourists are briefed upon arrival on invasive species control, waste management, and respect for biodiversity.

The ESMP also outlines measures to reduce the pollution and adverse impacts for communities during construction (see above).

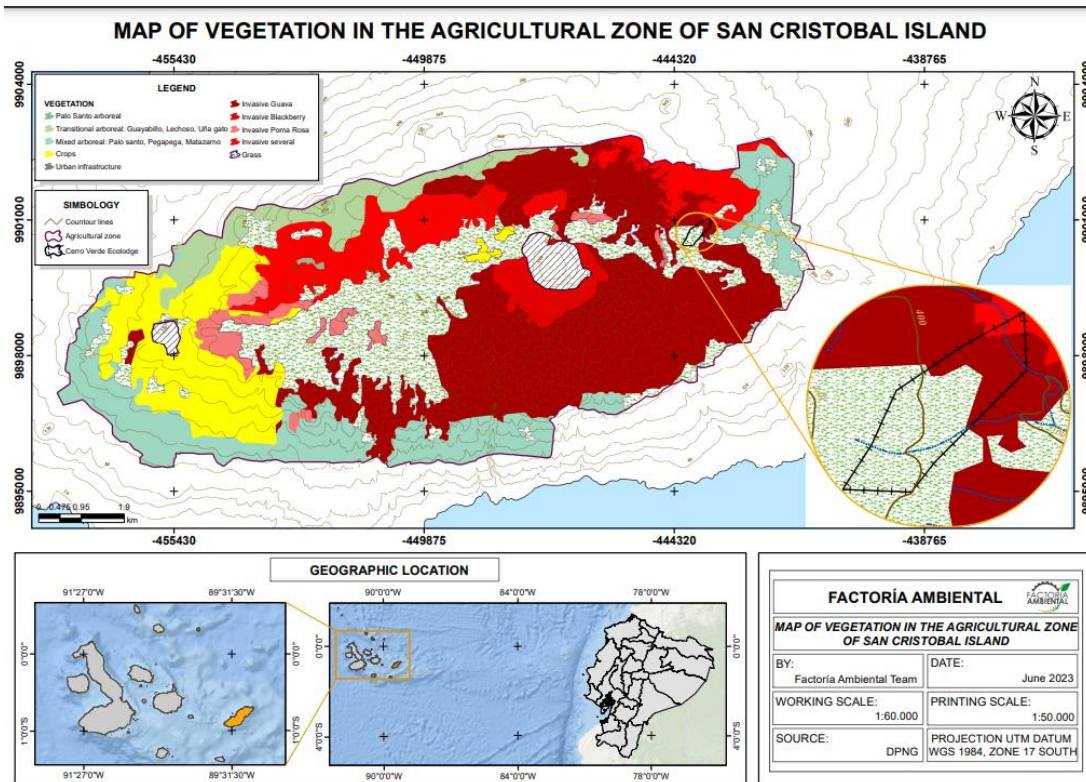
Accessibility: The projects seeks universal accessibility for its guests. Cabins that allow accessibility for guests with any disability have been integrated.

#### **PS 6: Biodiversity Conservation**

Given that the project is located in the Galapagos which is a natural world heritage with critical biodiversity, the preservation of the biodiversity lies at the heart of the project. The land belongs to the company Orgal S.A., and by not intersecting with the protected natural area, it becomes an important asset that seeks to build a new alternative for the island.

The ESIA has given particular attention to the assessment of existing flora, fauna and species. A majority of the site is invaded by invasive species, which poses a threat to the native species in the Galapagos. The assessment of the vegetation present on the land determined that although Galapagos is part of an internationally recognized area such as the Biosphere Reserve, the site is a type of modified habitat, where the original ecosystem has been transformed and degraded by the agricultural activity and the presence of invasive species. However, the possibility of recovering the original ecosystem in the presence of individuals of endemic species, such as miconia and guayabillo, typical of the area, which also constitute or could constitute habitats of great importance for endemic species or species with a restricted distribution range, such as the peg-footed petrel, suggested to propose conservation strategies, management of the territory and project activities, as if it was a critical habitat. It is therefore an ecosystem that has practically disappeared on San Cristóbal Island and the restoration of this area and its enhancement through tourist activity represents an opportunity for the conservation of the biodiversity.

*Map of the general characteristics of the landscape and vegetation of the site (see ESIA for more information):*



**Biodiversity Action Plan:** The Biodiversity Action Plan are comprised of the Rehabilitation Plan and Wildlife Rescue Plan:

- **The Rehabilitation Plan** for affected areas aims to restore and recover natural areas that may be impacted by the operations of the project. The plan includes actions to rehabilitate the native ecosystem, inform the Environmental Authority of any incidents or impacts, and maintain compliance with the ESMP. The plan also emphasizes minimizing impacts during the construction phase and having insurance to cover any fortuitous events that may affect the area.
- **The Wildlife Rescue Plan** aims to establish coordination mechanisms with the Environmental Authority for wildlife rescue interventions. The project site is in a potential distribution area for giant tortoises and petrels nesting, requiring prior coordination with the Environmental Authority for any activities that may affect these species' habitats. The plan includes identifying and monitoring the presence of these species and informing land vehicle drivers about the need to reduce speed during the period when land birds may be impacted (May to August).

In addition, the landscaping strategy focuses on the preservation of native plant species and restoration on site wherever possible. The project maintains a nursery of native plants of the site. Habitat areas are also provided for tortoises and nesting birds on site. In addition, all buildings for guests are elevated from the ground, so that in this way the natural terrain and its conditions are affected as little as possible. The non-native vegetation clearing for construction can be positive if followed by reforestation with native species. Elimination and control of pests like rodents contribute to environmental control. The risk of invasive species entry through maritime transport will also be addressed through a policy of using locally produced products. Hence, the project further emphasizes the use of local products by designing menus based on local production calendars for breakfast, lunch, and dinner. Efforts are made to maximize the consumption of locally sourced products and minimize the use of items requiring



transportation from the continent which cause an inflow of invasive species. When necessary, suppliers from the continent are selected based on high biosafety standards. Invasive plant populations are selectively eliminated in the initial stage, and garden areas are maintained with native and endemic species.

Furthermore, the project will feature a research centre where guests will learn about the importance of sustainability and conservation. Moreover, a dedicated Sustainability Fund which will be funded through a percentage of the revenues will contribute to research and conservation efforts throughout the island through a locally-led implementing partner.

The project will work closely with local institutions that have direct competence over the natural heritage, such as the Galapagos National Park Directorate and the Galapagos Agency for Regulation and Control of Biosecurity which already has the experience of successfully eradicating invasive species and restoring with native *Miconia* species in the El Junco lagoon.

### **Gender assessment**

The gender analysis of San Cristóbal highlights several key aspects of women's roles and representation in society. The population on the island has more men than women, with a pronounced imbalance in rural areas like Cerro Verde, which is traditionally agricultural. Women are often categorized as "inactive" due to their unrecognized and unpaid roles in caregiving and household tasks. Despite equal employment rates, women's occupations tend to be concentrated in administrative and professional support roles, while men dominate manual and operational work. Political representation in the province has historically favored men, impacting social, cultural, and economic dynamics with a patriarchal bias. Gender-based violence remains largely unknown due to limited statistical data, but there are indications of violence against women, including teenage pregnancies and lack of legal restitution for victims. It is crucial for the tourism industry to actively engage in protecting women's rights and combatting gender violence by implementing prevention protocols and rejecting any tourism-related dynamics that harm women, children, and adolescents.

The project intends to create 50% of jobs for women during the operating phase and aims to identify and remove potential barriers to increase the number of female management positions. In addition, the project will be funding equipment and supplies to establish day care services, laundry services, and catering services. These services will be run by the local women's organization: Funjeca. As outlined in the ESMP, the project sponsor needs to develop a gender action plan aligned with the 2x challenge criteria and criteria for entrepreneurship, leadership, employment or consumption. The Gender Action Plan will outline targets, policies, performance indicators, measures, and also address gender-based violence and provision for both anonymous and gender specific complaints.

### **Climate change related risks**

The Galápagos Islands, due to their unique geographical location and rich biodiversity, are particularly vulnerable to climate change. The islands heavily rely on tourism and other economic activities that contribute to GHG emissions through energy consumption and transportation. The transport sector and energy generation are major contributors to these emissions. Importing coal from the mainland also adds to the islands' carbon footprint. Climate change impacts on the archipelago include ocean acidification, loss of species, rising sea levels, changes in weather patterns, and reduced water resources availability, directly affecting agriculture, fishing, and tourism. The lack of climate change planning and measures in San Cristóbal puts the local population at risk, especially in terms of food security, as changing weather patterns impact production. The implementation of climate change initiatives and

sustainable practices is essential to mitigate the risks and preserve the unique ecosystem of the Galápagos Islands.

A comprehensive climate change risk assessment has been conducted by a third party which included a desk review of secondary data and on-site consultation with affected stakeholders to receive primary data. The main risks include increased rainfall without El Niño-Southern Oscillation events, delayed rainy seasons, changing temperatures, extreme rainfall during El Niño events, climate-related pests & diseases, ocean acidification, biodiversity loss, more frequent El Niño events, drought during La Niña events, higher sea surface temperatures, coastal floodings, and coastal erosion. The risks and hazards considerations associated with the project can be categorized into two groups:

1. Direct Hazard Considerations:

- Climate change impacts pose a threat to the structural integrity of the ecolodge and on-site resources, potentially affecting guest experiences.
- Property and conditions on the site, such as elevation, slope, weather, flooding/drainage, and roads, could be vulnerable to extreme weather events and impacts.
- On-site water and energy supply systems may be affected by extreme weather conditions, causing water shortages or damage to solar panels.

2. Indirect Hazard Considerations:

- Climate change could impact the biodiversity of the island, affecting its attractiveness as a tourist destination and, in turn, occupancy rates and staff livelihoods.
- Transportation to and from the lodge and off-site resources, such as water supply and food, could be disrupted due to extreme weather events.
- Biodiversity, both terrestrial and marine, is at risk due to warming temperatures, acidification of the oceans, and coastal flooding, leading to potential population and ecosystem collapse.
- The livelihoods of lodge staff depend on the attractiveness of the destination and the lodge's integrity, making them vulnerable to climate impacts that could affect the lodge's viability.

Monitoring and adaptation measures are necessary to address these risks and hazards and ensure the sustainability of the ecolodge. Multiple adaptation measures were included in the design of the projects to address the risks. To address water supply, measures include, for example, the installation of a local sewage treatment plant to properly treat wastewater, rainwater collection, and water storage tanks. To address energy supply, multiple energy efficiency measures were implemented for higher levels of thermal insulation, glazing, and external shading devices to reduce energy consumption. Landscaping is also designed to withstand different weather conditions by choosing native species. Soil erosion management helps identify slopes prone to erosion and implement measures to increase permeable surfaces for excess water seepage.

**Local Access of Project Documentation:**

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