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Draft Environmental, Health and Safety, and Social Due Diligence Report

Project SuperFreeze

30 December 2021

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Project SuperFreeze



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INTRODUCTION

1. INTRODUCTION

ERM Shanghai Ltd (hereinafter referred to as “ERM”) was commissioned by CC Pan Eurasia GP Limited (“CITIC” or the “Client”) to conduct an Environmental, Health and Safety, and Social Due Diligence (“ESDD” or the “Assessment”) of two (2) sites owned by Korea SuperFreeze Inc. (“Target” or the “Company”), one at Pyeongtaek (“Site 1”) and the other one at Incheon (“Site 2”). The Target is a Korean operator of liquefied natural gas (LNG) powered cold storages and cold chain logistics.

The scope of this ESDD is defined in ERM’s proposal dated 24 September 2021 and was approved by the Client on 28 October 2021. This report presents a summary of the scope of work and due diligence approach, the Target’s environmental and social performance, a discussion of the Project Category as per Asian Infrastructure Investment Bank (AIIB) project categorization criteria, and a summary of key findings against local and applicable international standards. This report also provides an Environmental and Social Action Plan (ESAP) with recommendations for post-transaction monitoring.

A materiality threshold of USD 250,000 per finding has been applied to this Assessment to ensure a practically reasonable due diligence process is undertaken to support the transaction. However, material non-compliance issues against the AIIB’s Environmental and Social Standards, regardless of the materiality threshold, are also included.

1.1 Limiting and Special Conditions

This report has been prepared by ERM with all reasonable skill, care and diligence within the terms of the contract with Client, incorporating ERM’s General Terms and Conditions of Business as agreed upon with Client, and taking account of the manpower and resources devoted to it by agreement with Client. The report cannot, and makes no attempt to, anticipate all changes to those conditions and circumstances, which occur after its date of issue. ERM disclaims any responsibility to Client or any other party for use of the report for any purpose other than that for which it was specifically prepared.

This report is confidential to the Client and we accept no responsibility of whatsoever nature to third parties to whom this report, or any part thereof, is made known. Any such party relies on the report at their own risk.

ERM did not independently verify information provided by the Target. Therefore our findings are accurate and complete only to the extent that information provided to ERM was itself accurate and complete.

This report is based on disclosures made by the Target and made available to ERM during a desktop study and a site visit on 12 November 2021 and 17 November 2021. At the time of issuance of this report, this report has incorporated findings from the tasks so far undertaken as part of this Assessment. No sampling or testing of soils, waters or other materials were included in the assessment. However reference has been made to previously reported testing and sampling.

ERM’s level of review was dictated by the timing allowed for the Assessment and information disclosed by the Target.

ASSET OVERVIEW

2. ASSET OVERVIEW

Site 1

Site 1 is located in Osung Sandan-Road, Pyeongtaek City, Korea. The total area of Site 1 is 159,292.75 m² with six buildings (Buildings A~F), two LNG storage tanks and facilities. Site 1 started operation in mid-2019. The main operation involves LNG cold storages and cold chain logistics.

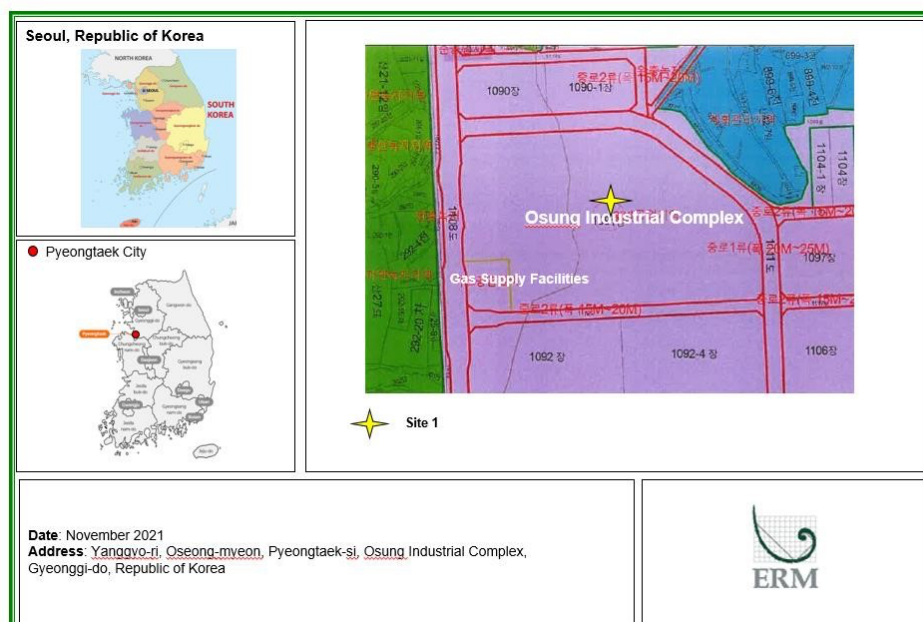
The Site 1 is located in Osung industrial park, which was established in 2011 and has been used for industrial development since then. According to the BirdLife International (a worldwide alliance of nongovernmental organizations), the nearest Important Bird Area (IBA) is Asan Bay (including Asan-ho lake and Sapgyo-ho lake), approximately 5km south to the Site. ERM has reviewed the available documents and given the nature and location of the Project (i.e. in a highly disturbed area, no protected biodiversity area within 5km), biodiversity consideration is considered not applicable to the Project. According to observations using Google Earth Pro and site visit, the surroundings of Site 1 is summarized as below:

- *North:* Immediately bounded by a road and further north is another company in the industrial park;
- *East:* Immediately bounded by a road and further east is vacant land;
- *South:* Immediately bounded by a road and further south is vacant land; □ *West:* Immediately bounded by a road and further west is rice field.

The nearest residential house is located 150m north to Site 1 and the nearest community is 2km southwest to Site 1. The nearest surface water body is Jinwi cheon (stream), which is located 2.5km to Site 1.

The location of Site 1 is shown in **Figure 2.1**.

Figure 2.1 Site boundary (Photo from Land Use Planning Confirmation Certificate dated 27 October 2021)



Site 2

Site 2 is located in Incheon-shinhang-Road, Incheon City, Korea with an area of 59,442.4 m². Site 2 at Incheon port will be constructed in two phases, Phase 1 will commence next year according to site management, and there was no current construction activities on site, and is expected to be completed by Q3 2023; Phase 2 is expected to be completed by Q4 2024. Site 2 is located in a semiindustrial complex in a Free Economic Zone, which is being newly developed on reclaimed land (from sea), by the local Office of Oceans and Fisheries. Site 2 is currently vacant land, developed for the purpose of establishing a logistics warehouse. The Site 2 is located in an industrial park of Free Economic Zone in Songdo City, which was established in 2013 and has been used for industrial development since then.

Site 2 is located near the Incheon Port, west coast of Korea, where multiple stops for migratory birds along the East Asian-Australasian Flyway (EAAF) can be found. According to BirdLife International, four IBAs lay on the west coast of Incheon, the nearest one to the Site 2 is Sihwa-ho Lake, approximately 5km south of the site. In addition, the Tidal flat area of Yeongjong-do Island, Yeongheung-do, Sonje-do Islands and Daebu-do island are located within 20km from the Site 2. These IBAs feed migratory birds through mudflats or tidal flats every migrating season in spring and autumn.

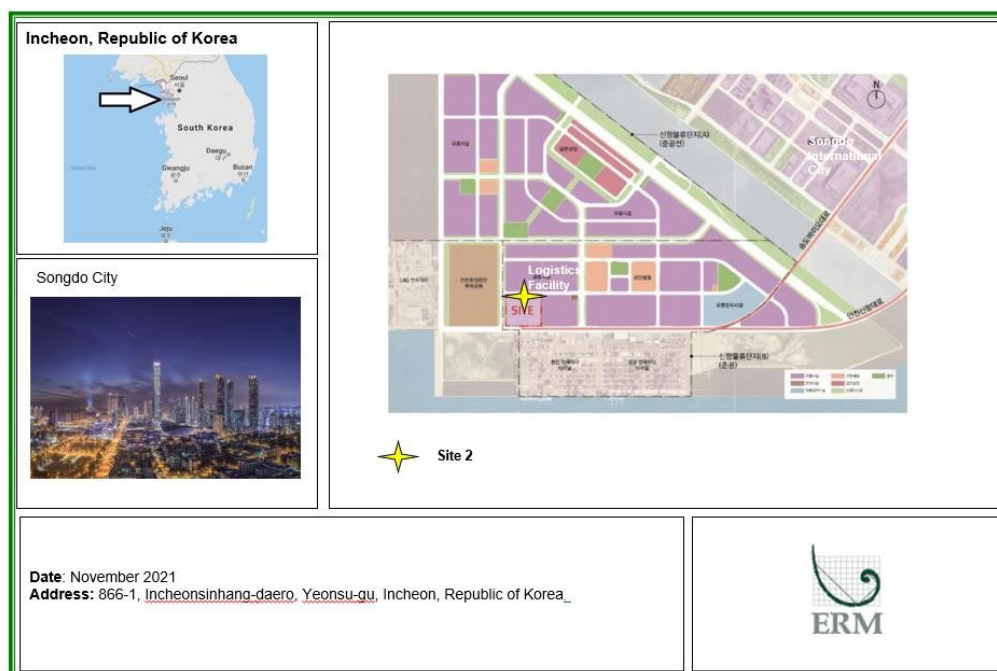
According to observations using Google Earth Pro and information from site visit, the surroundings of Site 2 are summarized as below:

- *North*: Immediately bounded by vacant land and further north is the sea;
- *East*: Immediately bounded by vacant land and further east is the sea; □ *South*:
Immediately bounded by Incheon port and further south is the sea; □ *West*:
Immediately bounded by a park and further west is the sea.

The nearest residential area is Songdo Veridium Apartment located 3.5km east to Site 2. The nearest surface water body is the West sea, which is located 1km to Site 2.

Figure 2.2 below shows the Site location of key Site components.

Figure 2.2 Site boundary (Photo from Plant Layout dated November 2021)



3. SCOPE OF THE REVIEW AND APPROACH

3.1 Scope of Work

The ESDD considered material risks and liabilities with respect to the following Reference Framework:

- Applicable national EHS and Social regulations and standards associated with the Target's operations;
- The AIIB Environmental and Social Framework (ESF) and Environmental and Social Standards (ESS), 2021; and
- The Client's Environmental, Social and Governance (ESG) Management requirements, including the selection, appraisal, approval and monitoring of AIIB-financed subprojects.

The scope of work for the ESDD are summarized in **Table 3.1** below as per AIIB's ESS 1 Environmental and Social Assessment and Management.

Table.1 Topics Covered in this ESDD

Section C – Environmental Coverage	Section D – Social Coverage	Section E –Health and Safety	Section F – Labour and Working Condition
Environmental Risks and Impacts	Social Risks and Impacts	Health and Safety of Workers and Communities	Labour Management Relationships
Biodiversity Consideration	Scope of Social Coverage	Occupational Health and Safety	Civil Servants
Biodiversity Impacts	Vulnerable Groups and Discrimination	Labour Influx	Child Labour and Forced Labour
Critical Habitats	Gender	Building Safety	
Natural Habitats	Gender-based Violence	Traffic and Road Safety	
Protected Areas	Land and Natural Resources Access	Security Personnel	
Ecosystem Services	Loss of Access to Assets or Resources or Restrictions on Land use		
Sustainability of Land and Water Use	Cultural Resources		
Precautionary Approach			
Pollution Prevention			
Resources Efficiency			

Climate Change			
Greenhouse Gases			

HEALTH AND SAFETY, AND SOCIAL

Section C – Environmental Coverage	Section D – Social Coverage	Section E –Health and Safety	Section F – Labour and Working Condition
Quantification of and Reporting on Greenhouse Gases			

Based on the nature of the Target, requirements regarding Land and Natural Resources Access, Loss of Access to Assets or Resources or Restrictions on Land use, Cultural Resources, Labour Influx, Building Safety and Civil Servants as specified in AIIB's Environmental and Social Standards (ESS) are not applicable to the Site.

Materiality Threshold

ERM adopts a technically rigorous approach to assessing potential risks and liabilities during EHSD, and typically focuses on what is material to the Client's investment.

For this assessment, materiality threshold of **USD 250,000** per finding has been applied to this Assessment to ensure a practically reasonable due diligence process is undertaken to support the transaction. However, material non-compliance issues against the AIIB's Environmental and Social Standards, regardless of the materiality threshold, are also included. The cost estimates provided identify any expenditure already incorporated in the Capital Expenditure (CapEx) and Operating Expenditure (OpEx) budgets approved for the assets where these costs are available. Where possible, ERM has indicated a range of costs to address material findings. Where possible, ERM has indicated a range of costs to address material findings identified within the following ranges:

- The Most Likely Case (MLC) scenario; and
- The Reasonable Worst Case (RWC) scenario.

3.2 Approach

The approach of this Assessment was tailored specifically for the Project to capture what are considered to be the most critical ES findings relating to the contemplated asset, and those which can have the largest financial impacts. Thus, ERM conducted the following tasks within the agreed timeframe:

- Desktop reviews of document provided by the Target;
- and ■ Visit to the sites.

3.2.1 Desktop Review

The desktop review was conducted by ERM based on:

- Information and documents provided by the Target; and
- Publicly available environmental information (including both historical and regulatory information) as available with respect to the Site, and as practicable within the diligence period.

3.2.2 Site Visit

The Site visit was conducted on 12 November for Site 1 and 17 November 2021 for Site 2 by ERM professionals Mr. Sangwon Lee, Ms. Miae Lee and Ms. Hyunji Kim from Seoul Office, including site reconnaissance, interviews and discussions with relevant site management and employees, and reviews of available documentation regarding environmental, health, safety and labour management. The following site management representatives were interviewed during the site visit.

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Table 3.2 Summary of Site Management Interviewees

Name	Position	Responsibility
Pyeongtaek (Site 1)		
Kim, Young Sun	CFO	CFO
Kim, Dae Il	Director	Facilities Support Division/ Director
Kim, Sung Hoon	Team Leader	Facilities Support Division/ Energy Team Leader
Choi, Young Choi	Team Leader	Administration Team/Team Leader
Incheon (Site 2)		
Kim, In Jong	Director	Business Development Division/ Director
Um, Hyun	Director	Business Development Division/ Director

ERM would like to thank all those who participated in the interviews and inspection during this Assessment. Their time and co-operation are gratefully acknowledged.

4. OVERVIEW OF THE ENVIRONMENTAL AND SOCIAL PERFORMANCE

4.1 EHSS Compliance and Notifications

Administration Permits and Documents

Site 1

Site 1 has obtained the following environmental, health, safety and social permits (or) its related documents for its current operation:

- Land registry;
- Land use planning confirmation certificate;
- Building registry;
- Plant layout (detail) ;
- Certificate of water tank and sanitary cleaning;
- Documents on workplace risk assessments;
- The supplier's food qualification documents/license.

Environmental, occupational health, safety production, fire permits (and) its related documents of Site 1 are identified and detailed in

- Fire and explosion risk assessment and action plan;
- Explosive atmosphere zoning drawings;
- Floor plans showing emergency exits, sprinklers, fire extinguishers and spill kits;
- Fire and spill records and reports;
- Training records;
- Hazard substance risk assessments;
- Occupational exposure monitoring records;
- Chemical inventory;
- Procedures for safe handling and storage of hazardous substance;
- Emergency response procedure/contact point; • First aid equipment inspection records.

Site 2

Site 2 has obtained relevant permits for construction, including:

- Land registry
- Incheon Free Economic Zone Songdo International City New Port Logistics Complex (B) District Unit Plan Notice and Decision Map
- Incheon New Port special zone logistics center construction plan
- Incheon New Port special zone logistics center ground survey report and appendix

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External Factors Review

Based on an online search and interview with site management, neither non-compliance records nor violation have been received by both sites.

4.2 EHSS Management System and Organizational Structure**EHS and Labour Organisation and Responsibilities**

No specific business department or unit is in place to manage environmental, health and safety-related matters. However, the Target has newly formed a full time EHS team made of existing employees comprising one manager and two officers. All staff from the EHS team are employed by SuperFreeze Inc. and working on Site 1. They were appointed after receiving EHS training and are still getting familiar with the EHS management onsite. According to interviews, further regular training on EHS issues will be provided. Since the EHS team is newly formed, currently each business department within the organisation is responsible to identify, address and manage environmental, health and safety related issues, if any. According to the interview, a health and safety manual and guideline is in place to manage any health and safety issues in logistic operation. No health and safety management system is in place to manage whole health and safety issues in the entire organisation.

According to the management interview, risks which are related to social issues and governance issues are monitored by business administration department. And an HR department is also established within the Company to management human resource issues.

The Company does not currently have a committee dedicated to ESG, EHS, or sustainability topics.

EHS and Labour Management Systems

The Target has not implemented an overarching environmental and social policy or set specific EHS and labour goals and objectives, rather it currently has several protocols and procedures in place to manage individual EHS and labour items, such as health and safety management procedures, employee handbook, which lays out (but not limited to) recruitment and working conditions for all employees, etc.

Safety and health issues are under the control of EHS team, who can supervise health and safety issues at Company level. LNG-related facilities are managed by applying Process Safety Management (PSM), a system promulgated by the Occupational Safety and Health Administration (OSHA).

EHS and Labour Goals and Targets

The Target currently has no specific EHS and Labour-related goals and targets in place.

4.3 Labour Management

The Target owns SuperFreeze Inc at 321-1 Yangjae-dong, Seocho-gu, Seoul. Suprefreeze Inc is responsible for managing business and administrative issues. There are a total of 103 employees working in the office including 10 management staff. The female to male ration is 0:10 amongst management.

Site 1**Labour Management**

The labour conditions of Site 1 is summarized in Error! Reference source not found. below:

Table 4.1 Labour Conditions of Site 1

Company	Headcount	Female : Male Ratio	Management Headcount
AND SOCIAL			
SuperFreeze Site 1	17	1:10	1
Subcontracted Employees	170	3.5:6.5	0

All of the direct employees of SuperFreeze site 1 have signed a formal employment contract, where working conditions and terms of employment are clearly defined. Based on the human resource management regulation provided for review, the Target's labor contract covers legally required aspects such as (but not limited to) Salary; Bonus; Working hours and location; Annual leave; Insurance; Notice of Termination; and Severance payment and no discrimination against any candidates during recruitment processes and subsequent employment and clear descriptions of working conditions. The working hours for direct employees is from 9:00 a.m. to 6:00 p.m. with one hour break, 8 hours per day and 40 hours per week. 150% hourly rate will be paid for the overtime work.

According to grievance management, employees can file a complaint verbally or in a written form via internal website, and the business administration team receiving the complaint shall address the issue and provide feedback in a timely manner. However, the Target has not received any complaint yet.

No gender/racial/age discrimination in terms of working conditions, benefits and career development opportunities was identified during this assessment. No underage (under the age of 18) worker or forced labour was identified.

Diversity and Inclusion

According to the received documents (*Employee information*), there are approximately 10 executives in management position and none of them is female. Also, among 120 direct employees in both of SuperFreeze Inc. and Site 1, women make up only 17.4%. During the interview, the management explained that there is a HR policy in place for women including maternity leave.

Subcontracted Labour Management

According to the received documents (*Employee information*), there are 170 subcontracted employees, which is more than the Target's full time employees (120 full time employees). According to the management interview, each subcontracted employee is required by each contractor to sign a formal employment contract where working condition and terms of employment are defined. Other specific elements included in the employment contract for subcontracted employee were not explained nor provided.

During the interview, it was said that there is no HR system in place to manage subcontracted employees. The management explained the subcontracted employees get paid for hours worked, and the working hours are indicated on their employment contract, which means that there is low risk of unethical overtime work management.

Site 2

Site 2 has not started construction yet. According to the site representative, Site 2 will adopt the labour management practice from Site 1 once put into operation. The representative also explained that they are planning to select a contractor for construction through a formal bidding process by reviewing certifications, safety management, quality, etc.; however no documents is available to document the contractor selection process.

4.4 Environmental Management

Due to the nature of the operation, the overall environmental impact is low that the Target is not responsible to conduct an environmental impact assessment for both Site 1 and Site 2 under Korean laws and regulations. However, the Company has not established any environmental management

procedures specifically regarding to wastewater, which may have potential biodiversity impact on Site 2.

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It is notable that environmental impact assessments have been conducted in the past for both Site 1 and Site 2. For Site 1 (Pyeongtaek site), the environmental impact assessment (EIA) (as shown in Environmental Impact Assessment Support System¹) has been conducted for Osung Industrial Complex by the government where possible environmental impact on air pollution, soil and land contamination as well as noise have been assessed, and proved to be of mild severity. Regarding any possible negative impact, mitigation measures have been determined and need to be implemented to run activities in the Complex. For Site 2 (Incheon Site), an EIA was provided by the Target for review, which has been conducted by the government for the industrial park of Free Economic Zone in Songdo City. Regarding possible environmental impact, such as biodiversity loss, consistent monitoring procedures are put into place by the industrial park for implementing protection measures for migratory birds. Active mitigation measures shall be implemented to minimize the impact on migratory birds' habitat and flying routes. No legacy issues were identified by both EIA reports.

4.5 Safety and Occupational Health Management

There has been one incident in 2020 in Site 1 where the related personnel fell while inspecting samples in the inventory storage. According to the site representative, a walk plate has been established to prevent the same incident, in accordance with occupational health and safety standards. In addition, safety education regarding workplace safety regulations in compliance with the occupational safety and health act to prevent the occurrence of similar incidents will be performed upon the completion of safety and occupational health pre-assessments.

4.6 Fire and Explosion Prevention

Site 1 requires compliance of fire and explosion risk assessment and action plans in accordance with the related procedures. According to the Consequence Assessment resulting from a process risk evaluation, with the consequences of unplanned events were predicted as per *Phase V7.11 version*. The assessment report predicted that with the vapor cloud or jet fire explosion of an LNG storage tank at -157°C, driving pressure of 0.18 MPa, there can be LNG leakage for quite a long time, which can impact at a range of 104.6m with the solar radiation of 5kW/m² according to the worst case scenario of Jet Fire incident. The same applies at 1057m according to pressure at 0.07kPa according to the worst case scenario of VCE incident². Thus, the report has been sent to the related authorities for further investigation and it needs to be further assessed by the Korea Occupational Safety and Health Agency.

In need of evacuating Site 1 for fire explosions, the assembly point is located at the parking lot and the evacuating procedure is performed based on the emergency exit plan for every building present (A to E). In addition, records are available for training on the use of fire extinguishers, joint training with fire stations, procedures with fire handling work, gas leakage at LNG tanks, emergency response training, etc. Since the recent fire incidents that took place in logistics centers in Korea, there has been increased awareness of fire incidents in new employees and firefighting teams have been established for every building that holds fire hydrants. At places where high-risk incidents could take place such as those with LNG tanks, improvements are being made for charging areas for forklift trucks such as cable breakage or handles where fire incidents are likely to occur.

¹ <https://eiass.go.kr/>; business code: HG2006B008

² VCE incidents are characterized by extremely high overpressures generated by ignition of an airborne vapor cloud of flammable materials.

4.7 Emergency Response

At Site 1, monthly reports on handling and storage of hazardous materials, fire prevention and electrical safety are being prepared. Check-up on fire extinguishers, fire alarms and evacuation

facilities are being performed by Daeyoung Firefighting Technology. Explosive atmosphere zoning drawings and floor plans showing emergency exits, sprinklers, fire extinguishers and spill kits for every building (Building # A to F) are available.

According to *Rules on Occupational Safety and Health Standards* (Article 43), safety emergency response plans are to be prepared and implemented by the company to effectively prepare for and respond to emergency situation such as disasters/fire explosions; however, no safety ERP has been prepared for either site. It was identified during the site visit that the Target has defined basic procedures for an ERP (i.e. appointed a person in charge, established procedures when fire and explosions occurs, provided trainings, etc.) but not formalized those procedures in documents. At the time of the site visits, no major safety accident or fatality were reported at the Site. Record of each work-related injury was provided for ERM's review. Based on the reviewed documents, all of the workrelated incidents were investigated, and followed up by implementing corresponding corrective actions.

Site 1 has commissioned a consequence assessment to determine the likelihood and impacts of leakages occurrence at the LNG storage facilities, so that risk factors are assessed and possible harmful consequences can be modelled and mitigated accordingly. Also, explosive atmosphere zoning drawings are available for hazardous area classification of LNG facilities at Site 1. Hazardous substance risk assessments as well as occupational exposure monitoring records (Job Safety Analysis, JSA) are being conducted on site for LNG facilities in Site 1 to prevent hazards or risks in cases of emergency fire, explosions or gas leakage incidents from high-pressure facilities. The site has accordingly implemented management measures for operations, leakage detection and put in place an integrated shut-down system.

Lastly, there are procedures for safe handling and storage of hazardous substances and for regular check-ups on LNG facilities and management procedures for lorry tanks by checking on their loading and unloading processes. There are also safety management plans for assessing any changes occurring and the related companies that work in conjunction with Site 1 facilities.

4.8 Community Health and Safety

The stakeholder engagement activities with communities is limited for the Company due to the distance to the nearest community (i.e. 2.5 km to Site 1 and 3.5 km to Site 2) and both sites are located in industrial parks. Considering the distance to nearby communities and the nature of the Company's operation, the impact on community health and safety is low.

4.9 Land Use

Site 1

The total area of Site 1 is 159,292.75 m² with six buildings (Buildings A~F), two LNG storage tanks and facilities. The following Real Estate Certificate (REC) covers this land area and was provided for ERM's review:

- Building area with 92,152.1 m² designated for industrial use (freezer storage)

According to Google Earth Pro and interviews with the site management, there is no involuntary resettlement induced by the Project's land use. The industrial park where Site 1 is located has been established since 2011. According to the site representative, the land was rice field before being transferred for industrial use.

Site 2

The total area of Site 2 is approximately 59,442.4 m². The district for Site 2 is located in a semiindustrial complex in the Free Economic Zone, which is being newly developed from reclaimed land (from sea), by the local Office of Oceans and Fisheries. The site is currently vacant land.

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ENVIRONMENTAL AND SOCIAL PERFORMANCE

According to Google Earth Pro and interviews with the site management, there is no involuntary resettlement induced by the Project's land use.

5. SUMMARY OF ENVIRONMENTAL AND SOCIAL REVIEW

5.1 Project Categorization

AIIB and its Financial Intermediary (FI) screens and categorizes each proposed Project to determine the nature and level of the required environmental and social review, type of information disclosure and stakeholder engagement necessary for the Project. The categorization takes into consideration the nature, location, sensitivity and scale of the Project, and is proportional to the significance of its potential environmental and social risks and impacts.

Given the nature and scale of the Project and in consideration of the sensitivity of the surrounding area and potential environmental and social impacts (no major environmental and social impacts), ERM considers the Target to fall within **Category B** as per Asian Infrastructure Investment Bank (AIIB) project categorization criteria.

6. FINDING EVALUATION CRITERIA

To facilitate a focused summary of the findings against Korean national and local regulations and standards, the qualitative risk evaluation criteria provided in **Table 6.1** has been adopted. Where one or more aspects at risk correspond to the definitions below, a Risk Level of High, Medium, or Low is provided.

Table 6.1 Project Risk Level against Korean National and Local Regulations and Standards and AIIB Framework Definitions

Risk Level	Definition
High	Major regulatory permitting non-compliances and other risk-based findings that may: 1. result in closure or temporary suspension of the business; and/or 2. induce potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible or unprecedented
Medium	Moderate permitting non-compliance or inconsistency with applicable E&S standards, which may result in non-material rectification cost or fine but not shut down. Impacts are generally confined to the Project boundary or its immediate surroundings, are amendable to mitigation and are largely reversible.
Low	Legal non-compliance or inconsistency with applicable E&S standards, which may result in minimal adverse environmental or social risks/impacts. May impact workers but generally would not cause significant impacts beyond the project boundary.

*A materiality threshold of **USD 250,000** is adopted in the assessment.

Client: CC Pan Eurasia GP Limited

DUE DILIGENCE REPORT

7. SUMMARY OF KEY FINDINGS

This section summarizes the Site's alignment with applicable Korean national and local regulations and standards and the AIIB Framework. Corrective actions to address the findings, with costs estimation of potential expenditure provided, which are indicated as Most Likely Cases (MLC) scenarios and Reasonable Worst Cases (RWC) scenarios.

Table 7.1 Table of Findings

	Topics	Finding Description and Implication	Recommendations	Risk Rating
No.				
Site 1				
1	EHS Management System	<p>Historically no specific business department or unit was in place to manage environmental, health and safety-related matters. However, the Target has newly formed with existing employees an EHS team comprising one manager and two officers. They were appointed after receiving EHS training and are still getting familiar with the EHS management onsite. Reportedly, further regular training on EHS issues will be provided. According to the interview, since the EHS team is newly formed, currently each business department within the organisation is responsible to identify, address and manage environmental, health and safety related issues, if any.</p> <p>Based on interviews with representatives, the site has not established a formal health and safety management system. The Target has established several protocols and procedures related to EHS management including Process Safety Management (PSM) system applied to LNG, however there is no internal EHS policy, manual nor EHS KPIs/objectives/targets.</p>	<p>The Target shall further improve the EHS management system throughout the Company and subcontractors by:</p> <ol style="list-style-type: none"> 1. Establishing an overarching environmental and social policy and disclose it to all employees; 2. Developing an extensive aspect and impact register; 3. Setting EHS KPIs or objectives or targets; 4. Reviewing the current EHS related protocol and procedures based on the onsite situation, regulatory requirements and the applicable standards (AIIB ESP and WBG EHS Guidelines), complement or update them if necessary in line with established standards (e.g. ISO); 5. Ensure the EHS team in charge of EHS management has been or will be trained in the following: <ul style="list-style-type: none"> • EHS related laws and regulations; • AIIB ESP and GIIP (e.g. WBG EHS Guidelines); • Operation procedures; and □ Communication skills. 	Medium

No.	Topics	Finding Description and Implication	Recommendations	Risk Rating
			6. Communicate internally and with contractors the new EHS Policy and requirements, and delivery regular training to all workforce (employees and contractors). 7. Continuously monitor performance and report on KPIs/objectives/targets.	
2	Vehicle/Electrical Safety	<p><i>Vehicle Safety</i></p> <p>Forklifts were operated while workers were walking near the forklifts. The routes for forklifts and workers were not clearly defined and marked in the buildings of Site 1.</p> <p>Forklifts were in frequent use. However, it was observed that one forklift in use did not have back up alarms, which could pose safety risks to pedestrians. At the forklift electric charging station in building A, a forklift with an ignition key inserted was left unmonitored.</p> <p>A forklift driver was observed driving without wearing a seat belt while operating the forklift near the waste storage area. Forklift trucks that are in use by the contractors have to be further improved.</p> <p><i>Electrical Safety</i></p> <p>Electrical panel was left unlocked and the person in charge of electricity was not properly identified and posted near the forklift electric charging station in Building A.</p>	<p>Site 1 is recommended to:</p> <ol style="list-style-type: none"> 1. Have designated marked routes defined for workers on the floor; 2. Have the designated electric charging area clearly defined and marked on the floor; 3. Provide visual signage on safe charging and operating of forklifts throughout the facility; 4. Supervise forklift trucks in use by the contractors with regular monitoring on a regular daily/weekly basis. 	Low

3	Waste Management	There were piles of empty boxes and plastic wastes in inappropriate areas in the corner of storage/on the walking path of Building A; the wastes were not	Site 1 is recommended to: 1. Identify and designate Temporary Material Storage Area.	Low
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DUE DILIGENCE REPORT

No.	Topics	Finding Description and Implication	Recommendations	Risk Rating
		<p>stored in the designated areas for waste management.</p> <p>Also, the stored waste in front of the waste storage area has to be managed better by moving the waste into waste storage areas where it can be managed better.</p>	2. Move the waste into designated waste storage areas where they can be managed adequately.	
4	Occupational Health	The water purifiers on-site were being managed by rental service; but there is no visible record of maintenance of water purifiers.	Site 1 is suggested to disclose records of maintenance of the water purifiers by the rental company and ensure its adequacy for drinking use.	Low

5	Emergency Response	<p>The Consequence Assessment report has been sent to the related authorities for further investigation and it needs to be further assessed by the Korea Occupational Safety and Health Agency.</p> <p>According to <i>Rules on Occupational Safety and Health Standards</i> (Article 43), safety emergency response plans are to be drafted and implemented by the company to effectively prepare for and respond to emergency situations such as disasters/fire explosions; however, no safety ERP has been prepared for both sites. It was identified during the site visit that the Target has basic procedures for an ERP (i.e. person in charge, established procedures, provided trainings, etc.) but not formalized those procedures in documents.</p> <p>According to interview with the Site representatives, there was no related procedures/education performed internally related to first aid nor safety personnel assigned for emergency response.</p>	<p>Obtain the approval for the Consequence Assessment report from Korea Occupational Safety and Health Agency and its related government agencies.</p> <p>Formalize a documented ERP and assign a full time EHS staff for implementation and management.</p> <p>Regular training (at least once a year) regarding to the use of AED and performing CPR should be implemented.</p>	Medium
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No.	Topics	Finding Description and Implication	Recommendations	Risk Rating
		While the Automated External Defibrillator (AED) machine is provided at the site, no training regarding AED and Cardiopulmonary Resuscitation (CPR) was provided, which is necessary in a first-aid emergency situation.		

6	Labour Management	<p>According to the reviewed documents and interview, there is no robust code of conduct for employees and supplier to implement. Instead following documents are available:</p> <ul style="list-style-type: none"> □ Employee Handbook which lays out (but not limited to) recruitment and working conditions for all employees; □ Anti-corruption policy. 	The Target is recommended to develop a robust code of conduct, which lays out the Target's principles, standards, and the moral and ethical expectations that employees and third parties are held to as they interact with(in) the organization and potentially with external stakeholders.	Low
7	Diversity and Inclusion	<p>According to the received document (<i>Employee Information</i>), there are 13 executives in management position and none of them is female. Also, among 120 employees in both of SuperFreeze Inc. and SuperFreeze Pyungtaek, women make up only 17.4%. Korea has implemented a regulation called <i>Affirmative Employment Action</i>, which selects 30 companies that did not meet the industrial standards for women's employment and urge to improve. Noncompliance of women employment may cause possible social and reputational risks.</p>	<p>The Target is recommended to:</p> <ul style="list-style-type: none"> • Set up an organizational diversity and inclusion policy; • Implement programs to improve diversity in the workplace through (but not limited) diversity-focused recruitment. 	Low
8	Subcontracted Labor Management	<p>According to the received document (<i>Employee Information</i>), there are 170 subcontracted employees, which is more than the Target's full time direct employees (120 full time employees).</p>	<p>Target should develop and implement a robust subcontracted labor management program to monitor social performance including the following (but not limited to) :</p> <ul style="list-style-type: none"> • Number of workers; • Components of wages and total wages; 	Medium

No.	Topics	Finding Description and Implication	Recommendations	Risk Rating
		During the interview, it was stated that there is no HR system in place to manage subcontracted employees. The management explained the subcontracted employees get paid for hours worked, and the working hours is indicated on their employment contract, which means that there is low risk of unethical overtime work management.	<ul style="list-style-type: none"> The time and break time of business start and end; Holidays and vacations; Overtime, night-time, and holiday work; Safety and health requirements and training; Grievance management; The use of welfare facilities. 	
9	Whistleblowing/ Grievance mechanism	The Target established a grievance mechanism in their internal website for employee engagement. Through that system, all employees can engage, share, connect, and speak up a problem. However, during the interview, it was identified there has been no post received yet.	ERM recommends the Target to check how the system has been communicated among employees (including subcontracted labour) to ensure all people onsite are aware of the existence of the grievance mechanism.	Low
10	Quantification of and Reporting on Greenhouse Gases	As stated in AIIB ESS 1, "If the Project is not expected to produce or does not currently produce significant levels of GHG emissions annually, the Client is not required to conduct an assessment of or report on the Project's GHG emissions." The Target currently has not quantified the GHG for its current operation and assessment of their significance.	ERM recommends the Target to estimate the GHG emission of its current operation. Per AIIB ESS1, GHG management is only required if emissions are significant e.g. over 25,000 tonnes CO ₂ eq/ year under IFC Performance Standards ³ .	Low

Site 2

³ https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

1	Environmental and Social Risks and Impacts	The district for Site 2 is located in a semi-industrial complex. The site is currently vacant land, developed for the purpose of establishing logistics warehouses. The Company has already obtained the land registry for Site 2.	The Company should apply its upgraded EHS and Labor management system defined above to Site 2 once put into operation.	Low
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No.	Topics	Finding Description and Implication	Recommendations	Risk Rating
		<p>Based on observation during the site visit and interviews with Site management, there was no evidence of contaminated area from water, waste, air, soil pollutant. Site 2 is located on reclaimed land, hence the environmental and social impact is low.</p> <p>According to the site representative, the government has conducted the Environmental Impact Assessment in advance before leasing the site. It is not required for the Company to conduct EIA under the legal requirements.</p>		

No.	Topics	Finding Description and Implication	Recommendations	Risk Rating
3	Climate Change	Site 2 is located near the coast and thus can potentially be affected by effects of climate change (e.g. natural hazards).	The Target should assess the risk that may be induced by climate change on Site 2 during the design stage and implement resulting measures so as to minimize site's vulnerability and increase its resilience.	Low
2	Biodiversity Impacts	<p>The west coast of Incheon City plays an important role in waterbirds migrating along the EAAF. Since the semi-industrial complex, where Site 2 is located, was established for logistic warehouse. The location, not with any IBA or protected areas, would not have a significant impact on the migratory birds.</p> <p>Any impact on the marine environment should be taken into consideration to conserve biodiversity. The wastewater during the construction phase should be properly treated if it will be discharged to the surface water.</p> <p>Considering the LNG storage leading to little effect on the water birds during operation, how to handle the emergency (e.g. fire) is key to protect migratory waterbirds. The efficient emergency response could prevent any accidental discharge of wastewater (firefighting water) into surface water, resulting in further pollution on mudflats or tidal flats.</p>	<p>For both construction and operation phase, the Target should adopt the proper mitigation measures from the EIA report to prevent potential pollution on the surrounding mudflat or tidal flat and prevent potential accidents with the consideration of potential biodiversity impact</p> <p>.</p>	Low

8. ENVIRONMENTAL AND SOCIAL ACTION PLAN

An Environmental and Social Action Plan (ESAP) of the identified findings is developed for following up the corrective actions to be taken by the Site (**Table 8.1**).

The ESAP (i) describe the actions necessary to implement the various sets of mitigation measures or corrective actions to be undertaken (thereby clearly defining the roles and responsibilities on ESG requirements for each party); (ii) prioritize these actions; (iii) include the timeline for their implementation.

Table 8.1 Environmental and Social Action Plan (ESAP)

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
Site 1							
Health and Safety Management							
1	<p>The Target shall further improve the EHS management system throughout the Company and subcontractors by:</p> <ol style="list-style-type: none"> 1. Establishing an overarching environmental and social policy and disclose it to all employees; 2. Developing an extensive aspect and impact register 3. Setting EHS KPIs or objectives or targets; 4. Reviewing the current EHS related protocol and procedures based on the onsite situation, complement or update them if necessary in line with established standards (e.g. ISO). 5. Ensure the EHS team in 	<p>MLC&RWC: Management time to upgrade and improve the EHS management system and enhance performance.</p> <p>With the development of Site 2, a well training EHS team is necessary to manage the overall EHS aspects of the Target during construction and operation to better implement the management programs.</p>	<i>AIIB ESS1: Environmental and Social Assessment and Management</i>	<p>External resources to establish a comprehensive management system (approximately USD 50,000)</p> <p>Management time to improve performance through implementation of the management system.</p>	<p>Draft the management system within 6 months from financial close. Semiannual review during the first year, thereafter on an annual basis. Continuous implementation throughout the investment period</p>	<ol style="list-style-type: none"> 1. Overarching E&S policy; 2. EHS KPIs, objectives or targets; 3. Procedures 4. A well trained EHS team in position. 	Open

⁴ The specific time is decided based on the discussion between AIC and the Target.

30 December 2021

CIAL ACTION
PLAN

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
	<p>charge of EHS management has been or to be trained with the following;</p> <ul style="list-style-type: none"> EHS related laws and regulations; AIIB ESP and GIIP (e.g. WBG EHS Guidelines); Operation procedures; and Communication skills. <p>6. Communicate internally and with contractors the new EHS Policy and requirements, and delivery regular training to all workforce (employees and contractors).</p>						

	7. Continuously monitor performance and report on KPIs/objectives/targets. The EHS team should keep reviewing the current EHS related protocol and procedures based on the onsite						
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ENVIRONMENTAL AND SOCIAL ACTION
PLAN

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
	situation and review any if necessary.						
Vehicle and Electrical Safety							

2	<p>Site 1 is recommended to:</p> <ol style="list-style-type: none"> 1. Have designated marked routes defined for workers on the floor; 2. Have the designated electric charging area clearly defined and marked on the floor; 3. Provide visual signage on safe charging and operating of forklifts throughout the facility; 4. Supervise forklift trucks in use by the contractors with regular monitoring on a regular daily/weekly basis. 	<p>MLC: Management time to improve the safety performance related to vehicle and electrical use onsite.</p> <p>RWC: Workers are hurt or injured.</p> <p>The issues identified were near-misses onsite. Without an appropriate assessment and management, near-misses could lead to a real incident.</p>	<p><i>AIIB ESS1: Environmental and Social Assessment and Management</i></p> <p><i>(KOSHA Guide 2015) According to KOSHA guide (2015), the forklift trucks are to be assigned in designated areas, not to cross any walking path.</i></p> <p><i>(Rules on Occupational Safety and Health Standards) According to the Rules on Occupational Safety and Health Standards, there shall not be any boxes piled up blocking the walking path.</i></p>	Management time to implement.	Q1 2022	Marked route on the floor; designated electric charging area and inspection records.	Open
Waste Management							

CIAL ACTION
PLAN

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
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3	<p>Site 1 is recommended to:</p> <ol style="list-style-type: none"> 1. Identify and designate Temporary Material Storage Area. 2. Move the waste into designated waste storage areas where they can be managed adequately. 	<p>MLC: Management time to improve the waste management.</p> <p>RWC: Workers are hurt or injured.</p> <p>A better waste management program will improve the working environment and reduce the safety and environmental risks.</p>	<p><i>AIIB ESS1: Environmental and Social Assessment and Management</i></p> <p><i>(Rules on Occupational Safety and Health Standards)</i></p> <p><i>According to the Rules on Occupational Safety and Health Standards, waste should be in better management to put them in designated areas.</i></p>	Management time to implement.	Q1 2022	Waste in designated storage area	Open
Occupational Health							
4	<p>Site 1 is suggested to disclose records of maintenance of the water purifiers by the rental company and ensure its adequacy for domestic use and drinking.</p>	<p>MLC: Management time to track the use of water purifiers.</p> <p>RWC: Workers are sick due to the water issues.</p> <p>A better water purifier management program will ensure every employee's health onsite.</p>	<p><i>AIIB ESS1: Environmental and Social Assessment and Management</i></p>	Management time to implement.	Q1 2022	Water Purifiers checking records	Open
Emergency Response							

DRAFT ENVIRONMENTAL, HEALTH AND SAFETY, AND SOCIAL DUE DILIGENCE REPORT

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
5	<p>Obtain the approval for the Consequence Assessment report from Korea Occupational Safety and Health Agency.</p> <p>Formalize the documentation and assign a full time EHS staff for implementation and management.</p>	<p>MLC&RWC: Management time to obtain the approval and formalize the ERP.</p> <p>An approved assessment and a formalized ERP will be easy for employees to understand and implement and better to response the potential accidents.</p>	<p><i>AIB ESS1: Environmental and Social Assessment and Management</i></p> <p><i>(Rules on Occupational Safety and Health Standards) (Article 43), safety emergency plans are to be performed and implemented by the company to effectively prepare for and respond to emergency situation such as disasters/fire explosions</i></p>	Management time to obtain the approval and prepare the ERP	Q1 2022	Approval and ERP	Open

6	A regular training (at least once a year) regarding to the use of AED and performing CPR should be implemented.	<p>MLC: Management time to provide training.</p> <p>RWC: No one knows how to use AED and perform CPR when needed, potentially leading to an incident.</p> <p>CPR/AED training is an important resource in an emergency. Effective bystander CPR provided immediately after sudden cardiac arrest can double or triple a victim's chance of survival.</p>	<i>AIIB ESS1: Environmental and Social Assessment and Management</i>	Management time and minor cost to commission an external expert on the training.	Q1 2022	Training records	Open
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HEALTH AND SAFETY, AND SOCIAL

CIAL ACTION PLAN

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
Labour Management							

7	The Target is recommended to develop a robust code of conduct, which lays out the Target's principles, standards, and the moral and ethical expectations that employees and third parties are held to as they interact with the organization and potentially with external stakeholders.	MLC&RWC: Management time to develop a robust code of conduct. A well-written code of conduct clarifies an organization's mission, values and principles, and defines desired behaviour that will lead a better social performance of the Company.	<i>AIIB ESS1: Environmental and Social Assessment and Management</i>	Management time to implement.	Q1 2022	Code of Conduct	Open
Diversity and Inclusion							
8	The Target is recommended to: <ul style="list-style-type: none"> Set up an organizational diversity and inclusion policy; Implement programs to improve diversity in the workplace through (but not limited) diversityfocused recruitment. 	MLC: Management time to implement diversity and inclusion programs. RWC: Non-compliance of women employment may cause possible social and reputational risks. Diverse and inclusive workplaces earn deeper trust and more commitment from their employees.	<i>Affirmative Employment Action;</i> <i>AIIB ESS1: Environmental and Social Assessment and Management</i>	Management time to implement.	Q1 2022	Diversity and inclusion policy	Open

AND SOCIAL

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
Subcontracted labour management							
9	Target should develop and implement a robust subcontracted labor management program to monitor social performance including following (but not limited to) : <ul style="list-style-type: none"> • Number of workers; • Components of wages and total wages; • The time and break time of business start and end; • Holidays and vacations; • Overtime, night-time, and holiday work; • Safety and health requirements and training; • Grievance management; • The use of welfare facilities. 	MLC: Management time to implement subcontracted labor management program. RWC: Compensate the subcontracted labor with the poor labor management. The portion of subcontracted labour onsite is high. Without an appropriate management, the conflicts between direct employees and subcontracted labor may occur.	<i>AIB ESS1: Environmental and Social Assessment and Management</i>	Management time to implement.	Q1 2022	Contractor Management Plan and records of socialization and implementation	Open
Whistleblowing/ Grievance mechanism							

HEALTH AND SAFETY, AND SOCIAL

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
10	ERM recommends the Target to check how the Grievance Management system has been communicated among employees (including subcontracted labour) to ensure all people working onsite are aware of the existence of the grievance mechanism.	<p>MLC: Management time to disclose the grievance mechanism.</p> <p>RWC: Conflicts among employees, subcontracted labour and management.</p> <p>An effective grievance mechanism can help foster a company culture of transparency, openness and trust and prevent minor complaints or disagreements from spiralling into something more serious.</p>	<i>AIIB ESS1: Environmental and Social Assessment and Management</i>	Management time for disclosure.	Q1 2022	Disclosure record of the grievance mechanism	Open
11	ERM recommends the Target to estimate the GHG emission of its current operation. Per AIIB ESS1, GHG management is only required if emissions are significant i.e. over 25,000 tonnes CO ₂ eq/ year under IFC Performance Standards.	<p>MLC & RWC: Management time to calculate the GHG emission.</p> <p>To calculate the GHG emission annually will help client to track its emission and seek the potential reduction.</p>	<i>AIIB ESS1: Environmental and Social Assessment and Management</i>	Management time for calculation.	Q1 2022	Quantification of GHG emission	Open

Site 2

Environmental and Social Risks and Impacts

AND SOCIAL

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
1	The Company should apply the upgraded EHS and Labor management system to Site 2 covering construction, commissioning and operation.	<p>MLC: Management time to apply the upgrade EHS and labour management system.</p> <p>RWC: The lack of an effective EHS and Labour management system will potentially lead to a poor business.</p> <p>A good EHS management system can help minimise risk onsite and to nearby communities and protect against accidents in the workplace.</p>	<i>AIB ESS1: Environmental and Social Assessment and Management</i>	Management time	Ongoing	<ol style="list-style-type: none"> 1. Disclosed overarching E&S policy; 2. EHS KPIs, objectives or targets; 3. A well trained EHS team in position for implementing objectives and management procedures. 	Open

2	For both construction and operation phase, the Target should adopt the proper mitigation measures from the EIA report to prevent potential pollution on the surrounding mudflat or tidal flat and prevent potential accidents with the consideration of potential biodiversity impact.	<p>MLC: Management time to reduce the potential biodiversity impacts</p> <p>RWC: Mudflat or tidal is polluted may cause possible environmental and reputational risks.</p> <p>Biodiversity impacts is easy to be neglected.</p>	<i>AIIB ESS1: Environmental and Social Assessment and Management</i>	Management time	Q3 2023	Biodiversity management programs	Open
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AND SOCIAL

No.	Action	Environmental & Social Risks and Benefits (Liability/Benefits)	Requirement (Legislative, AIIB ESSs, Good International Industry Practice)	Budget, Resources, Investment Needs, Responsibility	Time ⁴	Target and Evaluation Criteria for Successful Implementation	Status
3	It is recommended the Target should assess the risk that may be induced by climate change on Site 2 during the design stage and implement mitigation measures, if required.	<p>MLC: Commission external experts to assess the climate change risks.</p> <p>RWC: Building structure is damaged due to climate change.</p> <p>A design consider the climate change risks can minimize site's vulnerability and increase it resilience.</p>	<i>AIIB ESS1: Environmental and Social Assessment and Management</i>	Potential cost (approximately 30,000 USD) for commissioning external experts during design stage.	Q1 2023	Climate change risk assessment	Open

AND SOCIAL

APPENDIX A PHOTO LOG

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PYEONGTAEK SITE



1. Vehicle/ Electrical Safety



2. Waste Management



3. Waste Management

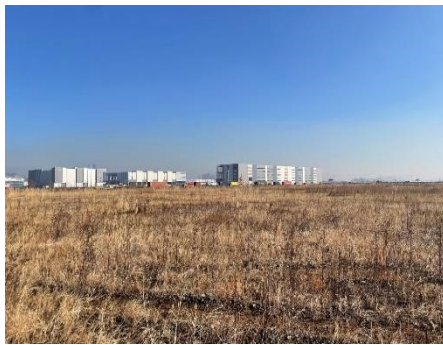


4. Water Purifier

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INCHEON SITE

Current Land Conditions



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