

# ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

### Disclaimer

This Environmental and Social Review Summary (ESRS) is prepared by IFC to disclose its findings and recommendations related to environmental and social considerations regarding potential investments. Its purpose is to enhance the transparency of IFC's activities. For any project documentation or data included or attached herein that has been prepared by the project sponsor, authorization has been given for public release by the project sponsor. IFC considers that this ESRS is of adequate quality for release to the public, but has not necessarily independently verified all of the project information therein. It is distributed in advance of IFC Board of Directors' consideration and may be periodically updated thereafter. Board dates are estimates only and this document should not be construed as presuming the outcome of the Board Directors' decision.

### Project Identification:

<i>Country:</i> Croatia	<i>Project Name:</i> Zagreb Airport	<i>Project No.:</i> 31969
<i>Region:</i> Europe and Central Asia		<i>Environment Category:</i> B - Limited
<i>Dept./Div.:</i> CN3F8 - Reg Ind, Infra & Nat Res, Emena/Infra & Nat Res-CSE	<i>Company Name:</i> Zagreb Airport International Company Â– A Limited	
<i>Project Business Sector:</i> E-BD - Other Support Activities for Transportation (Grain Terminals, Cargo Terminals, Airport Operations)		<i>Project Status:</i> Active

### IFC's Disclosure Requirements:

Date ESRS sent to InfoShop & posted on IFC Web site:	
Last Updated On (if appropriate):	
Date of clearance by client for factual accuracy *	
Local Disclosure Date *	
Local Disclosure Date of revised ESRS *	
Projected Board Date *	

### Overview of IFC's scope of review:

IFC's review of this investment consisted of appraising technical, environmental and social

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information made available by the sponsor including the following documents:

- Environmental Impact Assessment for "Zagreb Airport", completed in October 2012;
- Concession Agreement relating to the construction and operation of the Zagreb Airport, signed April, 2012.
- Supplemental information to EIA, prepared in October 2012, as per IFC request covering (i) the most recent noise emissions data, (ii) stakeholder engagement related to the project development and (iii) potential land acquisition and resettlement associated within the New Passenger Terminal and the access road.

The appraisal team also met with and interviewed the Concessionaire i.e. Project sponsors Aéroports de Paris Management ("ADPM") and Bouygues Bâtiment International ("BBI"); the Grantor (Ministry of Maritime Affairs, Transport and Infrastructure of the Republic of Croatia); the EIA consultants ("IGH"); and representatives and technical specialists from the Croatian Road Directorate ("HAC") at meetings held in Zagreb Airport Ltd. on 31st July and 13/14th Sept. 2012.

**Project Description:**

The Project is to construct a new terminal and other support facilities and, as per the Concessionaire's intent, to refurbish the existing terminal at Zagreb Airport ("ZAG"), the largest airport in Croatia, to accommodate existing and future air traffic. The existing terminal has an estimated capacity of approximately 2mn passengers. IFC will provide long-term equity capital in amount of max €19 m (out of total project cost of approx €365 m, a combination of senior debt, equity and cash from operation) for the implementation of this PPP project in Croatia. Construction is expected to commence April 2013 and be completed in 2016.

Zagreb Airport is approximately 10km south of the center of Zagreb situated in the territory of the City of Velika Gorica and Zagreb County in the cadastre municipalities of Pleso, Mičevac and Kosnica. In existence since 1962, the airport is surrounded with a mix of commercial and residential areas; residential areas located to the south-east are most affected by the current activities and planned development. The Airport represents a rare example in Europe in which the capital city airport is also an air force base and one runway is used both for civil and military purposes. According to the Concession Agreement the military will continue to use the runway based on the agreement between the Concessionaire and the Ministry of Defense.

Existing clients of IFC, the Project sponsors ADPM and BBI participated in the Government of Croatia's ("GoC") tender for this airport concession via a newly established company, Zagreb Airport International Company ("ZAIC"), and were awarded the Concession in February 2012. As per the Concession Agreement signed in April 2012 between the Republic of Croatia (represented by the Ministry of Maritime Affairs, Transport and Infrastructure) and ZAIC, a Croatian company named Međunarodna zračna luka Zagreb d.d. (MZLZ) has been established by ZAIC and the Concession Agreement has been novated in October 2012 to MZLZ, and therefore MZLZ is the Concessionaire. The Concessionaire obligation is to build, operate and maintain a new passenger terminal and related infrastructure at Zagreb Airport on a 30-year concession basis. Also as part of the Project, a new 1,8 km long access road will be built to connect the new terminal with the existing road network of Zagreb city. The existing terminal will be converted to space rental for airport users, i.e. ground handlers, airlines and any other stakeholder. BBI will be responsible for the design and construction matters related to the Project while ADPM will manage the airport operation matters

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**Identified Applicable Performance Standards:**

- PS1: Assessment and Management of Environmental and Social Risks and Impacts
- PS2: Labor and Working Conditions
- PS3: Resource Efficiency and Pollution Prevention
- PS4: Community Health, Safety and Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS7: Indigenous Peoples
- PS8: Cultural Heritage

**Environmental & Social Categorization and Rationale:**

The proposed investment in the Project is a Category B project because it principally involves expansion of capacity within the existing Airport footprint. The current boundaries of the site will be changed to accommodate a new terminal building. A limited number of specific environmental and social impacts may result, which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria. It is expected that once the project is fully operational it will contribute to overall environmental, safety and social conditions through introduction of modern, low environmental impact facilities, with attendant improved management and operational procedures.

**Main Environmental and Social Risks/ Impacts of the project and Key Mitigation Measures**

**PS1: Assessment and Management of Environmental and Social Risks and Impacts**

MZLZ will manage its environmental and social aspects in accordance with applicable Croatian laws and regulations, relevant international EHS and good practice industry standards like International Civil Aviation Organization (ICAO) and IFC’s Performance Standards. The Concessionaire intends to obtain ISO 9001 Quality Management System, ISO 10002 Complaints Management System, and ISO 14001 Environmental Management System certifications in respect of ZAG within 2 years from the airport Handover Date. Thereafter, the Concessionaire plans to maintain each such certification during the Concession Period.

**Identification of Risks and Impacts**

According to the Croatian regulatory requirements, a project of this nature and size requires development of a government-approved EIA before construction begins. Following the instruction of the Ministry of Maritime Affairs, Transport and Infrastructure the Zagreb Airport Ltd. had commissioned the EIA, which was completed June 2012. The State Ministry of Environment and Nature Protection (MoEnv) was in charge of project information disclosure and public consultation process. Following the successful completion of the process, including the project documentation disclosure and consultation in August/September 2012, a Committee set up by MoEnv has reviewed the EIA, made a number of suggestions for improvements, in order for the final EIA to

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adequately reflect full scale of identified risks and impacts and associated mitigation measures, and approved the EIA in October 2012.

Given the history of ZAG it can be expected that the site will contain contamination from oil, aviation fuel, diesel, and other substances including de-icing chemicals. Data collected to date provides evidence of previous pollution caused by using urea in de-icing process. Accordingly, the Concession Agreement (CA) further requires an Environment Baseline Survey (EBS) to be completed in order to define the extent of potential historical soil and groundwater contamination at ZAG. The EBS will serve to quantify and characterize the extent of historical contamination which the government will subsequently have to address.

Management Program and Organizational Capacity

ADPM is a world-class operator of airport facilities around the world and has significant experience in managing E&S issues associated with airport activities around the world. During the operation phase, management of EHS and social development aspects will become a routine function. The Concessionaire through its EHS department will be the focal point for all matters relating to EHS and socioeconomic aspects during the routine operations of the airport.

From the mitigation measures described in the EIA, MZLZ will develop an environmental management and monitoring plan (EMMP), which will cover construction and operation phases. Following the implementation of these measures, as described in EMMP, it is considered that there will be no significant impacts associated with the project and that any negative impact will be mitigated accordingly. The EMMP will be revised from time to time and will continuously evolve over the course of the project construction, operation and decommissioning.

An appropriate organizational structure will be put in place that will ensure the ongoing monitoring of successful implementation of EMMP. The EMMP will list all potential effects of each activity of the project and their associated mitigation measures identified in the EIA, the person(s) responsible for ensuring the full implementation of the action and monitoring the action, the timing of the implementation of the action. The mitigation measures will be translated into environmental and social development requirements and made part of the contracts for the construction activities. The EMMP will be modified and updated as needed by the main EPC contractor and the operator.

Environmental and social trainings will help to ensure that the requirements of the EIA and EMMP are clearly understood and followed by all project personnel throughout the project period. The environmental and social training program will be finalized before the commencement of the project and periodic trainings and refreshers courses offered to the workers, technical staff and service providers, as applicable. The Concessionaire’s EHS department will have the primary responsibility for providing training to all project personnel. The scope of the trainings will cover general environmental awareness and the requirements of the EIA and the EMMP.

Monitoring and Review

MZLZ will regularly monitor the implementation of the plans and activities as defined in EMMP and EIA approval; an environmental monitoring system for ambient air quality, noise, waste water and storm water will be established. The airport operator will document monitoring results and identify corrective and prevention actions in the amended EMMP. During the operations of the airport the Concessionaire will have responsibility for the management of environmental, social, safety and occupational

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health aspects of its activities, which will be closely coordinated with its affiliates, other agencies and service providers present at the airport for EHS impacts and areas over which the Concessionaire has no direct control. The EHS department will liaise with other departments at the airport, such as, Airfield Services, Chief Mechanics, and the Engineering Aviation Department, Fire Fighting Department as well as with regulatory agencies and other stakeholders in relation to EHS issues (i.e., Air Traffic Control, Airlines and the government’s remediation of historical contamination of the Airport property).

**PS2: Labor and Working Conditions**

MZLZ will follow Croatian Labor Law in recruiting, retaining and retiring its employees as defined in the Collective Agreement. All new hires will be informed of the labor conditions, benefits and remuneration prior to employment. Individual employment contracts specify all benefits. The Concessionaire will establish a written HR Policy and will provide access of this to all staff and non-employee workers. The Concessionaire HR policy and procedures will be in line with Croatian Labor Law and IFC Performance Standard 2 (Labor and Working Conditions). Besides its own workforce the contractor(s) may need to subcontract additional workforce locally, hiring of which will be in accordance with Croatian Labor Law. The Concessionaire shall ensure that all of its subcontractors, licensees, franchisees and lessees comply with the EMMP and applicable Croatian Law with respect to activities undertaken on the site or in relation to ZAG.

Currently approximately 1,050 workers are employed at Zagreb Airport Ltd. There is a collective agreement in operation that defines responsibilities of employees and the employer and specifies the terms and conditions of employment, including work safety conditions, benefits and remuneration. Working conditions will be based on provisions of the Croatian Labor Law; workplace is periodically monitored by the State Labor Inspectorate. Workplace monitoring program is established as a part of environmental monitoring program, noise pollution and concentrations of main air pollutants are routinely measured to avoid negative impact on workers health.

During construction and if needed, a temporary camp to house workers will be built following the national local standards and good practice including IFC-EBRD guidelines for worker’s accommodation. This includes provision of safe housing, availability of electricity, plumbing, water and sanitation, adequate fire protection and dormitory/room facilities. If expatriate workers are to be hired for work at the site the Concessionaire will make sure that their contracts have comparable terms and conditions as for non-migrant workers.

The Airport operator is an equal opportunity employer. Women, various ethnicities and nationalities, religious groups and people with disabilities are represented amongst the workforce, including management of the Airport. Equal opportunity is guaranteed by the Croatian Labor Law. The Concession Agreement provides a guarantee of the rights, responsibilities and benefits enjoyed by ZAL employees as of the Handover Date for existing workforce for the duration of 5 years from the Handover Date. However if the retrenchment of staff may become necessary under Applicable Law during the period of 5 years, the Concessionaire and/or its affiliates will make decisions on retrenchment taking into account relevant provision in the Concession Agreement, applicable Croatian legislation and best practices, and develop necessary procedures as well as retrenchment plan(s) in consultation with the Grantor and in accordance with IFC requirements of Performance Standard 2. The retrenchment process will be supported by local HR experts who will supervise and support the selection process by making recommendations on the future organizational structure and adequate staffing of the departments. The final

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decision based on the interviews and recommendations will be taken by the Concessionaire and/or its affiliates.

Occupational Health and Safety

Certified to OHSAS 18001; BBI enforces its health safety standards on every construction work sites worldwide. The BBI Project Director in charge of managing the construction will be appointed at least one month before the expected Handover Date. He will be assisted by five first-line managers. These include the Quality Safety & Environment Manager, Contracts Manager, Construction Manager, Technical Manager, and Admin and Cost Control Manager. The Project is estimated to generate over 700 jobs at its peak, with an average of 400 jobs over the duration of construction.

BBI will put in place occupational safety and health procedures, including use of personal protective equipment, working procedures for various types of construction work and equipment movement. All employees will be provided with the necessary EHS training and safety equipment as required for their respective responsibilities and duties. As the project management contractor it has to ensure that each sub-contractor submits, at the tender stage, proof of its good OHS practices in order to be shortlisted for the work. In case that sub-contractors are required to execute specific specialist works on site (e.g., demolition, excavation, electrical work, welding) they will be required to describe a work method i.e., specifying how to reduce or eliminate potential risks. All contracts with contractors and subcontractors will include a clause requiring compliance with the EMMP and PS2. Safety induction meetings will be conducted, and incident statistics maintained. A site management plan, safety & health plan, including emergency response and hazardous material/waste management plans are obligatory under National OHS law and will be part of EHS plan. Health and safety staff will be appointed and present on the construction site during working hours and will include an on-site first aid emergency capacity.

MZLZ through its EHS department will be the focal point for all matters relating to OHS during the routine operations of the airport.

**PS3: Resource Efficiency and Pollution Prevention**

Resource Efficiency and Greenhouse Gas Emissions

The current operation at the airport contributes 7.500 t CO2/year. After the Project reaches 5 mill passengers per year and taking into account all emissions from the facilities owned or controlled within the physical project boundary, it is expected to generate 17.500 ton CO2 per year. MZLZ is reviewing the feasibility of having the Project using cogeneration energy source and the feasibility of having the Project registered under ACI Airport Carbon Accreditation aiming to achieve carbon neutrality under such program by 2016.

Pollution Prevention

Air Emissions -- Main sources of air emissions from the airport operations include exhaust gases from aircraft, vehicle movements and stationary sources, such as power generators and venting from fuel storage tanks. Air pollution simulations were conducted using ISC-AERMOD View software for a 3D modeling of air dispersion (US Environmental Protection Agency) to determine the impact on air quality from the development of both phases of the project; year 2024 for phase 1 and year 2040 for phase 2. Concentrations of NOx and PM10 were taken as reference parameters. Based on the modeling it is expected that the limit values for NOx and PM10 will be exceeded immediately along the runway but be within acceptable Croatian and IFC limits in the surrounding area for both phases. Given

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the trend to tighten emissions criteria in the aviation industry, it is to be expected that there will be technological advances in the form of emissions reductions from new aircraft engines. The Company is exploring options to renew and replace at least 20% of outdated ground service equipment and vehicles in the first year(s) of the project life to show firm commitment in reducing air pollution. What is more, the planned upgrade of aprons and more efficient aircraft movement following project implementation should reduce air emissions from aircraft idling on aprons and runways.

During the (re)construction phase of the Zagreb Airport passenger terminals dust will be produced as result of terrain works (especially during the dry period), the loading and offloading of earth, the movement of cargo vehicles on earthen surfaces, etc. There will also be an increase in exhaust fume emissions as a result of the work of heavy excavation machinery, the loading and removal of excavated material and other heavy machinery. Diesel generators will be used for power generation to operate the construction equipment and for the camp and for any other on-site requirements like welding. Emissions from the generators will be reduced by ensuring that the engines are always properly tuned and maintained. Besides the impact on the project location, there will be additional burdening of all local, county and state roads along which temporary construction vehicle traffic will run. This impact will be minimized using the mitigation and protective measures as defined in EMMP.

The Company will develop an air monitoring program for carbon monoxide (CO), ground level ozone (O<sub>3</sub>), nitrogen dioxide (NO<sub>2</sub>) and particulate matter PM<sub>10</sub> that will cover all phases of construction and operations. At the borderline of the Zagreb Airport site the air quality must comply with the limit value criteria prescribed by the Croatian Regulation on limit values of pollutants in air (OG 133/05).

Liquid Effluent – The Project entails reconstruction of the existing wastewater management system at the airport; this will include a review and upgrade of all collection and drainage systems, including any wastewater treatment facilities. Sanitary wastewater from the airport facilities will be collected and transferred to either an on-site to-be-constructed waste water treatment plant or to the municipal sewage system of the city of Velika Gorica. A new facility for treatment of storm run-off water from the runway, taxiways and apron shall be constructed. Such treated water will be than discharged into Sava River or Kosnica or Bapče stream. Separate pre-treatment and oil capture facilities are located in the refueling and fuel storage areas. In the area intended for de-icing/anti-icing protection of aircrafts, a surface drainage system must be designed in such a way that de-icing fluids be collected separately, and then recycled or connected to the system for treatment of rain-off from the runway, taxi-ways and apron. Biodegradable and eco-friendly materials will be used for de-icing surfaces (e.g use of urea will be discontinued) and airplanes (propylene glycol). On aircraft stands, snow polluted by de-icing fluids or some other form of pollution shall be deposited on a plateau intended for that purpose as part of the apron.

Frequency of sampling and testing of quality of treated water must be in line with the Ordinance on limit values for wastewater (OG 87/10) for discharge into surface waters and in line with the requirements defined in the water rights permit.

Based on available scientific studies an increased level of soil pollution by heavy metals around the wider terminal area is observed; one of the main sources of such pollution is from airport operations. Monitoring of the soil pollution by heavy metals (Cd, Cr, Cu, Hg, Ni, Pb i Zn), TOC and polycyclic aromatic hydrocarbons (PAHs) including agricultural land around the airport at locations indicated in the EIA Monitoring Program (Program praćenja

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stanja okoliša s planom provedbe) will be an integral part of the overall monitoring program in ZAG in order to protect human health.

Noise - Aircraft landing and taking off are the main source of noise pollution. The most common types of aircraft operating at Zagreb Airport, making approx 90% of all flights, include modern turbo propeller Bombardier de Haviland Canada DHC Dash 8 Q400 followed by Airbus A318-A321 Family, Canadair CL-600 RegionalJet CJR- 100 i CRJ-700 and Embraer EMB120, which belong to ICAO Cat B and C, respectively, with the rest including bigger ICAO Cat D and E Boeing757 and Boeing747, respectively.

As per current legislation in Croatia the impacts of airport generated noise to the settlements and adequate response to mitigate it is under the responsibility of several stakeholders and third parties like airlines operators as well as relevant public authorities e.g. Croatian Air Traffic Control (CATC) and Croatian Civil Aviation Authorities (CCAA) for take-off and landing protocol and associated noise mitigation measures and MoEnv for noise insulation scheme. The Zagreb Airport Ltd. has performed continuous noise monitoring and has identified a noise impact area in the immediate vicinity of the airport. The noise map, which as per the ZAG, was developed in accordance with the relevant Croatian regulations applicable for Croatian Airports i.e. Air Traffic Law articles 124, 125 and 126, the requirements under EU guidelines 2002/49 and the best professional practices for the development of noise maps including a verified program package intended for the development of acoustic propagation models and noise maps called Bruel & Kjaer LimA 5.5.0 (June 2011), shows the existing and/or anticipated noise emission on the monitored locations, expressed through harmonized noise indicators i.e. maximum allowable levels at 67 dB(A) and 75 dB(A) night and day time, respectively will be within the required limits.

As the Republic of Croatia is becoming a part of the European Union in 2013, the legal framework in the Republic will be harmonized with the regulations issued by the European Union. It is possible that in the future the European Union will require the implementation of stricter noise limitations then currently defined in the Croatian Air Traffic Law, and therefore the Government will adopt stricter rules for all airports in Croatia.

Currently no specific landing and take-off procedures in order to mitigate excess noise pollution is defined in Zagreb Airport Ltd AIP manual. However noise mitigation measures are being developed and will be implemented by the CATC and Zagreb Airport Ltd. in accordance with a noise reduction strategy based on the adoption of a Balanced Approach required by EU directive (Directive 2002/30/EC of the European Parliament and of the Council of 26 March 2002 on the establishment of rules and procedures with regard to the introduction of noise related operating restrictions at Community airports). The EU Balanced Approach comprises four principal elements; making airplanes quieter by setting noise standards; managing the land around airports in a sustainable way; adapting operational procedures to reduce the noise impact on the ground; and, if required, introducing operating restrictions.

Zagreb Airport Ltd will actively coordinate with the third parties and relevant authorities for the development of Noise Reduction Plan, as per ESAP. The Plan will include the following actions:

- (i) in conjunction with Air Traffic Control aircraft take off and landing routes will be reviewed to take into account the use of military airplanes, older and more noisy civilian aircraft and local sensitive noise receptors;
- (ii) work with Air Traffic Control to review the flight zones and introduce more accurate methods and measures of aircraft control;

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- (iii) airport operating times will meet governmental regulatory requirements;
- (iv) where noise is attributed to operational airside activities of groundside, distance attenuation and screening will be adopted where practicable;
- (v) all equipment e.g. auxiliary power units and ground support vehicles will be maintained in good working order; performance specifications for noise for new equipment, wherever possible, to ensure that the procured item is noise controlled;
- (vi) engine idling on the terminal aprons will be kept to a minimum (to be set via AIP);
- (vii) establish noise monitoring stations based on predominant wind directions; noise sources; flight path, and population and perform noise contour modeling; all measurement stations defined under the program for monitoring noise levels must be fully functional; potential failures must be repaired as soon as possible;
- (viii) install sound insulation at selected households that are exposed to an excess noise, if needed;

If mitigating actions undertaken are not enough to fulfill stricter noise standards that may become applicable in the future, the Zagreb Airport Ltd is authorized to apply for the consent of CCAA to implement and collect a noise charge in accordance with Article 126 in the Air Traffic Act to offset the cost of any compensation or noise insulation program.

Solid and Hazardous Waste Management - Considering the increased capacity of the Zagreb Airport Ltd (5 mil passengers per year in phase1; 8 mil passengers per year in phase 2), a significant increase in the quantity of waste produced is expected. The Airport has a waste management plan for collection, removal and processing of domestic waste and other operational waste, which is approved by the local regulator. The plan will be updated to allocate responsibilities for waste management during the construction and operations and meet requirements for management of increased quantities of waste during the construction and operation of the airport. Municipal waste is collected separately and handed over to the authorized collector for disposal. MZLZ will further expand and introduce new recycling schemes for all waste streams at the airport. Hazardous waste is collected separately, stored pursuant to the valid legislation and handed over to the authorized collector for disposal or handling. Prior and during the construction phase MZLZ will undertake a review of waste storage areas and where needed upgrade it to ensure that waste is collected and stored in accordance with best practice. Concept of "duty of care" for hazardous materials/waste has to be part of EMMP. Regarding historical pollution Government and MZLZ will address the remediation of any contamination discovered and recommended by the EBS.

The EPC contractor and subcontractors are expected to be legally bound to control these to acceptable levels through application of standard construction environmental controls. Limited quantities of general waste will be generated during construction and maintenance (packaging, metals, plastics, filters, oils etc.), which will be disposed of in designated places, collected by licensed contractors and/or recycled where possible.

Hazardous Material Management - As part of the contractor's construction management plan a hazardous materials management procedure will be established for appropriate selection, purchasing, storage and handling of fuels and chemicals which will be used on the site. There will be no on-site maintenance of vehicles so to avoid accidental soil pollution. Fuel storage will be fully contained and spill response equipment will be present on site. The EPC will prepare a fuel management plan and a spill control, prevention, and countermeasure plan as a specific component of their Emergency Preparedness and Response Plan. During operations, fuel handling shall be carried out in accordance with regulations in force governing transport and fuelling of airplanes (US NFPA Code 407 - Standard for Aircraft Fuel Servicing 2007 and US NFPA Code 415 - Standard on Airport

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Terminal Buildings, Fuelling Ramp and Loading), under the surveillance of an employee in charge of the Zagreb Airport Ltd. fire protection system and in conformity with the Regulation on technical standards for protection of the environment against volatile organic compound emissions originating from fuel storage and distribution (OG 135/06).

Given the fact that the site is located in the area with high underground water table and where a number of water wells are used to supply the city with the potable water the risk of oil/fuel spill is significant; all supplies including fuels and oils, spare parts required for maintenance will be stored in containers in areas with impervious floors and surrounded by containment bunds or in specially designed storage tanks e.g. 100m<sup>3</sup> underground tanks for heating oil with an impermeable lining

Asbestos-containing materials may be present on site and be part of construction and demolition waste during construction. The company must identify all asbestos-containing materials on site and in construction and demolition waste and handle them in accordance with best international practice and IFC requirements.

Herbicides Use and Management Regular maintenance of vegetation around the runway and taxi roads is necessary and it is usually done through the use of mechanical methods, manual methods and application of herbicides. Proper selection, storage and handling of herbicides following the hazardous materials storage and handling management practices in the General EHS Guidelines can prevent / mitigate risks of soil, surface and underground water contamination.

***PS4: Community Health, Safety and Security***

Emergency preparedness and response

Thorough assessment of the Zagreb Airport Emergency Response Plan (ERP) has been carried out by an ADPM's expert in order to establish a compliance level with ICAO requirements. A number of corrective actions have been identified in Sept 2012 and consequently will be implemented as per ESAP. The ERP's main purpose is to enable (i) rapid control of dangerous situations, (ii) reducing hazard risks and impacts and (iii) rescue and rehabilitation of exposed persons and preventing damage to property and environment.

Security and safety of passengers, approaching and departing aircraft is provided by the air traffic monitoring system of the Croatian Civil Aviation Authorities (CCAA); emergency preparedness plans for incidents with aircraft and air traffic are approved by the respective government agencies. A specially designated emergency response unit and fire brigade is located on site and an emergency response plan is developed and approved by Croatian Civil and Defense authorities. Emergency response planning during construction on the work site will be a legally binding responsibility for the contractors and subcontractors with an oversight role by the Concessionaire and the local regulator.

Life and Fire Safety

Upon completion of the refurbishment of the existing terminal and other existing buildings with public access, taking into account recommendations from the audit of ZAG's fire protection system performed in Sept 2012 by an expert in charge of fire protection in Orly airport, fire system audit has to be conducted by an international expert to ascertain that the fire system at that terminal complies with Croatian and one of the internationally recognized fire codes, as per the attached ESAP.

MZLZ will design the new airport terminal and other facilities in accordance with the

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national life and fire safety code of Croatia and one international life and fire safety code. A Life and Fire Safety Master Plan for the terminal will be developed as per ESAP. During operations, the Company will maintain proper life and fire safety conditions in all public facilities and periodically undergo audits by the relevant government agencies. A Fire Safety and Evacuation Plan will form part of the Airport Emergency Plan.

Security personnel

Given that there are military facilities located within the Zagreb Airport area, certain restrictions must be abided by. Military facility protective and safety zones have been established pursuant to the Ordinance on military facility protective and safety zones with a special operational regime. As a high-security zone, the airport and some of its facilities are guarded also by government security forces to prevent sabotage, potential terrorist attacks and violation of immigration laws. Government security services act in accordance to their specific instructions and laws which aim at preventing breach of security and security abuses and are independent from the airport operations and the Company. MZLZ will coordinate its activities with the military and other security services and receive necessary clearances for personnel access to the runways and various other airport facilities. In addition to site security, the airport also hosts the representatives of customs and border patrol services and has to coordinate with the respective agencies certain aspects of development of the project, such as design of the terminal and contractors' access to site.

**PS5: Land Acquisition and Involuntary Resettlement**

N/A

The Project will lead to the economic displacement of approx 40 plots privately owned land in relation to the construction of the terminal building and approx 170 plots, mix of privately and state owned land, for the construction of the access road to the terminal building, through a combination of willing buyer/willing seller arrangements and land acquisition through the expropriation process managed by the government. The remainder of the needed land is Property of Republic of Croatia which is used by the Ministry of Defense.

Any expropriation of privately owned land for project purposes will be conducted in a manner consistent with Croatian regulations (the Airports Act (Official Gazette Nos. 19/1998, 14/2011) and IFC Performance Standard 5, including preparation and disclosure by the Concessionaire of a Livelihood Restoration Plan (LRP). The LRP will document the magnitude of displacement, establish the entitlements of affected persons and ensure that these are provided in a transparent, consistent and equitable manner.

Any future relocation of structures surrounding the Airport made necessary by changes in aviation zoning safety requirements of the Croatian Civil Aviation Authority and/or the International Civil Aviation Organization will be implemented consistent with the requirements of PS5: Land Acquisition and Involuntary Resettlement.

**PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources**

N/A

Performance Standard 6 (PS 6) is not applicable as the project involves refurbishment of the existing infrastructure and extension works in the environment that has already been significantly modified and disturbed due to the historical urban and infrastructural development.

**PS7: Indigenous Peoples**

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N/A

Performance Standard 7 (PS 7) is not applicable as there are no indigenous peoples residing in the project area.

**PS8: Cultural Heritage**

The alignment of the access road partially overlaps with the wider protection area of known archeological site "Andautonija" in area of Šćitarjevo. The density of the existing archaeological findings in the proximity of the construction site for the new passenger terminal and access road indicates the possible discovery of new localities that have not been determined by previous field survey. During the performance of earthworks within the "Andautonija" archaeological zone constant archaeological supervision shall be needed. In the case of discovery of any archaeological sites, works will be stopped and the competent archaeological protection department will be notified to conduct further review and assessment of the site. The Company will ensure implementation of chance find procedure by its construction contractors.

**Client's Stakeholder Engagement:**

Stakeholder Analysis was initially conducted in 2000 as a part of wider sociological analysis that investigated the impact of the Zagreb Airport Ltd. to quality of life of the settlements in the immediate vicinity of the Airport. As an integral part of the EIA process, Zagreb Airport Ltd. conducted a new round of engagement in October and November 2011 with neighboring communities. The project's EIA public disclosure, presentation to and consultation with affected communities was conducted in compliance with Croatian legal requirements; following the public consultation the Commission of the Ministry of Environment and Nature Protection has evaluated all comments and suggestions made during the process and issued the environmental approval for the project. In addition public hearing(s) have been conducted for the project design.

After the original EIA was finalized, MoEnv carried out a public consultation process during August 2012 and consequently granted EIA approval. The SEP (Stakeholder Engagement Plan) developed in Nov 2012 by the Concessionaire describes the key stakeholders and the ongoing information and communications plans relating to the project. Zagreb Airport Ltd, following instructions from the Ministry of Maritime Affairs, Transport and Infrastructure, in order to address key concerns for the surrounding communities in relation to noise, air pollution and potential resettlement due to the project implementation, will inform all stakeholders living in the vicinity of the airport that there will be no need to resettle any household due to either noise pollution or public safety zoning over the duration of the Concession at Zagreb Airport Ltd. Additionally Zagreb Airport Ltd. will clarify to local communities that the project development does not contemplate the construction of the second runway and that consequently there will be no need for resettlement of the nearby communities. The SEP will be reviewed periodically during implementation of the project and will be updated as necessary; contact with the communities will be maintained, their views and concerns solicited.

The SEP contains a grievance redress mechanism (GRM) to address concerns that the communities living in the vicinity of the project may have in relation to the project activities, their impacts, compensation and other mitigation measures. The main objective of the GRM will be to provide a mechanism to mediate conflict and allow people who might have objections or concerns regarding the project to raise them and see that they are adequately addressed. The concessionaire will consider

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making periodic reports on their EHS performance and sustainability initiatives publicly available.

The MZLZ will use its web-site to publish information about the project and its potential impacts on local communities. The site is also used for disclosure of project documents and collecting of inquiries and grievances.

**Broad Community Support:** BCS - Not Applicable

- BCS - Not Applicable
- BCS - Achieved
- BCS - To be achieved after board approval

**IFC's Determination of BCS**

N/A

**Environmental and Social Action Plan:**

Attached as a separate document to ESRS

**Local access of project documentation**

The following documents are disclosed as attachment to this ESRS:

- Environmental Impact Assessment, prepared in June 2012
- Stakeholders Engagement Plan (SEP).
- Environmental and Social Action Plan, November, 2012

The Company will also locally disclose the above listed documents at the Company's offices in Zagreb, and the project site office.

Any queries and/or comments about the Project may be directed to:

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