

APPENDIX 12

LABOR MANAGEMENT SYSTEM

The Labor Management System of the BCA Fund is an internal tool designed to ensure compliance with Ecuadorian labor regulations and applicable international standards regarding work and working conditions.

The LMS is an integral part of the environmental and social safeguards of the BCA Fund and directly complements the Environmental and Social Management System (ESMS) of the BCA Fund. While the ESMS regulates the external aspects of funded projects, including community participation, indigenous peoples and nationalities, participation processes and the management of environmental and social impacts, the LMS ensures that labor rights, gender equality, non-discrimination and personal data protection are respected, both at the internal and contractual levels.

Both systems are coordinated under a socio-environmental due diligence approach, ensuring that the operations of the BCA Fund comply with the Constitution of the Republic of Ecuador, the Labor Code, the international agreements ratified by the country and the international reference standards for the BCA Fund. In this way, the LMS and the ESMS form a comprehensive compliance framework that protects human, collective and labor rights, prevents legal and institutional risks and strengthens the governance of the BCA Fund.

1. OBJECTIVE

To ensure regulatory compliance and the application of best practices in human talent management, based on:

- The protection of labor rights and obligations
- The prevention of legal and reputational risks
- Alignment of operations with regulatory compliance standards, including international standards on working conditions¹.
- Incorporation of labor obligations

2. SCOPE OF APPLICATION

This document is of mandatory compliance, application and observance by:

- Directors of the BCA Fund,
- The Executive Management of the BCA Fund, including its employees
- Contractors and subcontractors of the BCA Fund

This LMS is mandatory for all members of the BCA Fund mentioned *previously* and is complementary to the Environmental and Social Management System (ESMS) established by the BCA Fund for grants.

¹ Specifically, Performance Standard No. 2 on Labor and Working Conditions of the International Finance Corporation (IFC).



3. APPLICABLE REGULATORY FRAMEWORK

- Constitution of the Republic of Ecuador
- Labor Code of the Republic of Ecuador
- Social Security Law of the Republic of Ecuador
- Data Protection Law of the Republic of Ecuador
- Decree 2393 (Safety and Health) of the Republic of Ecuador
- UAFE Regulations of the Republic of Ecuador
- Applicable laws issued by supervisory entities
- International Labor Organization Conventions 87, 98, 100, 111 and 169

In addition to the regulatory framework mentioned above, the Labor Management System of the BCA Fund complies with the main international standards on working conditions, including Performance Standard 2 on Labor and Working Conditions of the International Finance Corporation (IFC) and the Environmental and Social Policy Framework (ESPF) of the Inter-American Development Bank (IDB).

4. OBLIGATIONS OF THE BCA FUND

The BCA Fund must:

1. Comply with Ecuadorian labor legislation, which includes formal employment contracts, social security contributions, clearly defined roles and responsibilities, salaries and benefits in accordance with the law, as well as compliance with occupational health and safety legislation and related standards.
2. Include mandatory clauses on compliance with labor obligations in all types of contracts entered into by the BCA Fund.
3. Carry out documentary verifications of contractors' and subcontractors' compliance with labor obligations, where applicable.
4. Disseminate and implement the Labor Management System internally.
5. Monitor compliance.
6. Disseminate and keep updated the BCA Fund's Occupational Health and Safety Management Plan, which includes:
 - a) Identification of occupational hazards, including those related to field missions, travel, transportation and environmental exposure.
 - b) Preventive and protective measures, including operational procedures and safety protocols for field activities.
 - c) Worker training, including regular briefings on occupational safety, field work protocols and emergency procedures.
 - d) Mechanisms for documenting and reporting occupational accidents, incidents and work-related illnesses.
 - e) Emergency prevention, preparedness and response procedures, including evacuation procedures and communication protocols.
 - f) Monitoring and follow-up of: occupational health, medical records, joint committees, audits, measurements.
7. Adopt, implement and periodically update an Occupational Health and Safety Plan consistent with its activities, including office work, travel, transportation and occasional field missions. The Executive Management will designate the function responsible for implementation, monitoring and record keeping.



8. Commit to providing equal employment opportunities and fair treatment to all employees and applicants, including: recruitment, hiring, compensation, benefits, access to training, promotion, discipline and termination. Employment decisions will be based on merit, qualifications and the needs of the organization, and will not be influenced by race, ethnicity, color, sex, gender identity, sexual orientation, age, disability, religion, nationality, political opinion, social origin or any other condition protected by law or international labor standards. The BCA Fund will make reasonable accommodations where required by law and will not tolerate retaliation against any person who raises a concern related to discrimination or harassment.
9. Respect and value the identities and differences of individuals. Acts of harassment and discrimination based on race, creed, sex, age, disability, sexual orientation, gender, nationality or any other political, ideological, social or philosophical reason are prohibited.
10. We expressly prohibit child labor and forced labor, in compliance with Ecuadorian legislation and the International Labor Organization Conventions ratified by Ecuador. This prohibition is without prejudice to the cultural and community practices and knowledge transmission of indigenous peoples and nationalities, provided that such practices respect the dignity, safety and best interests of children and adolescents, and do not constitute an employment relationship or violate their collective and individual rights. **The provisions of applicable legal standards, including the Labor Code and the Code of Children and Adolescents, shall be complied with.**
11. Maintain a zero-tolerance policy towards gender-based violence, sexual harassment, exploitation, abuse or any form of violence or intimidation in the workplace or in work-related activities. All cases will be addressed using a survivor-centered approach. Reports will be treated confidentially, investigated promptly and managed in accordance with applicable policies and procedures. Disciplinary measures, where appropriate, will be proportional to the severity of the misconduct and may include actions such as warnings, suspension, termination of contract or referral to the competent authorities. All employees, contractors and partners are expected to behave in a respectful and professional manner. The Fund strictly prohibits retaliation against individuals who report concerns in good faith. The BCA Fund may take immediate protective measures and, where appropriate, refer cases to specialized external services or the competent authorities. Confirmed violations will result in disciplinary or contractual measures, as appropriate.
12. Protect staff and facilities by implementing equipment, devices, protection and prevention systems, and security procedures. Occupational health and safety standards must be applied to staff.
13. Ensure the confidentiality of work-related data, in accordance with the Data Protection Policy. Never disclose third-party information or confidential information without authorization.
14. **Maintain an accessible reporting channel that allows complaints to be submitted anonymously and protects whistleblowers from retaliation.** Complaints will be addressed within the defined timeframes for review and follow-up. Anonymous complaints will be recorded and evaluated based on the information provided. No attempt will be made to identify the complainant and no direct response will be issued. Their handling will be documented for internal control purposes.
15. Recognize the dignity of individuals, respect their freedom and privacy.
16. For travel outside the home city, the provision of accommodation to collaborators during technical missions, or any other work-related circumstance, the BCA Fund will ensure that:
 - a) The facilities are safe, structurally adequate and decent.
 - b) There is access to drinking water and adequate sanitary facilities.
 - c) Privacy and gender separation are respected where appropriate.
 - d) There is no overcrowding.



- e) Basic hygiene conditions are maintained.
- f) The accommodation does not involve coercion or undue restriction of mobility.
- g) There are no undue salary deductions related to accommodation.

This document does not create, under any circumstance, an employment relationship between the BCA Fund and the staff of executing organizations, contractors or subcontractors. Such staff will act under the exclusive responsibility of their respective employers, who are solely responsible for compliance with the provisions of the Ecuadorian Labor Code, the Social Security Law and other applicable regulations. The BCA Fund is limited to requiring compliance with these obligations as a contractual condition and to supervising their observance, without exercising management, subordination or labor control over such staff.

5. OBLIGATIONS OF THE DIRECTORS, EXECUTIVE MANAGEMENT, CONTRACTORS AND SUBCONTRACTORS

The directors of the Board of Directors, the members of the Executive Management (including all employees), the contractors and subcontractors of the BCA Fund must:

1. Comply with the provisions of this Labor Management System;
2. Stay up to date and informed about the standards relevant to their management within the BCA Fund.
3. Under no circumstances may they offer unauthorized goods or services, including those outside the scope of the project, nor disclose information or documentation belonging to the BCA Fund to any person or entity outside the organization.
4. Not download illegal or unlicensed programs or software on computers.
5. Comply with the BCA Fund's statutes, the Operations Manual and all applicable Ecuadorian legislation in general.
6. Not generate or encourage any act of violence within the entity.
7. Report any act that violates our corporate values, organizational culture or regulations through the established channels and/or the hotline.
8. Ensure equal rights, opportunities and non-discrimination among employees, directors, suppliers and subsidized organizations.
9. Respect and value the identity and differences of individuals. Acts of harassment and discrimination based on race, creed, sex, age, disability, sexual orientation, gender, nationality or any other political, ideological, social or philosophical reason are prohibited.
10. Recognize the dignity of individuals, respect their freedom and privacy.
11. Comply with the provisions of the Operations Manual on conflicts of interest.
12. Comply with and, within the scope of their functions, ensure the correct implementation and compliance of the BCA Fund's Environmental and Social Management System (ESMS).
13. Report any real or potential conflict of interest, as well as any case in which a third party associated with the BCA Fund is involved in or subject to extortion and/or bribery.
14. Comply with the security, control and access measures established by the BCA Fund, including the personal and non-transferable use of security codes and the proper use of user profiles and assigned access privileges.

6. GRIEVANCE AND COMPLAINT MANAGEMENT MECHANISM FOR EMPLOYEES, CONTRACTORS AND SUBCONTRACTORS OF THE BCA FUND



6.1 The BCA Fund will maintain a formal, confidential, safe and accessible grievance mechanism for employees, contractors and subcontractors.

The mechanism may be used to raise any workplace-related concern, including, but not limited to, matters related to:

- Corruption or fraud
- Conflicts of interest
- Harassment or discrimination
- Regulatory non-compliance
- Misuse of funds
- Working conditions
- Labor rights
- Environmental, collective or labor violations

Communication for employees and workers: they will be informed about the complaint mechanism during onboarding processes and through regular internal communications.

Available channels. Complaints may be submitted through an online form available on the BCA Fund's website.

Anonymous complaints. The mechanism allows for the submission of anonymous complaints. The BCA Fund will not attempt to identify the complainant.

Processing timeframe

- Acknowledgment of receipt: within 3 business days of receipt.

Initial review: within 5 business days of acknowledgment of receipt. Resolution or response: within 30 business days, where possible. The complainant will be informed if additional time is required. Complaints will be recorded, evaluated and managed confidentially. The mechanism will not prevent access to judicial, administrative or arbitration remedies available under applicable law.

Feedback: when the complainant is identifiable, they will be provided with information on the progress and outcome of the complaint.

Prohibition of retaliation. The BCA Fund strictly prohibits retaliation against any person who submits a complaint in good faith. The use of this mechanism does not prohibit or limit access to other administrative, judicial or arbitration remedies available under applicable law.

Complaints related to gender-based violence, harassment or sensitive matters will be handled with strict confidentiality by a designated and trained focal point **within the Administration and Human Talent** functions. The Executive Management will designate this focal point, who will be responsible for receiving, recording and coordinating the management of such complaints. External specialists may be called upon when necessary to ensure an impartial, professional and survivor-centered approach.

If a complaint involves the designated focal point, any member of the Administration and Human Talent functions staff, the Executive Director or any person who would otherwise participate in the management of the case, the complaint will be referred to the authority designated by the Board of Directors. In such cases, all persons subject to the complaint will be excluded from the review and decision-making process.



The Fund strictly prohibits retaliation against individuals who report concerns in good faith.

7. MANDATORY CLAUSE FOR CONTRACTORS

This clause must be incorporated verbatim in all contracts signed by the BCA Fund:

«The contractor declares that it is aware of and accepts the BCA Fund’s Labor Management System and undertakes to fully comply with its provisions. Failure to comply with the labor, environmental or social obligations established in the Labor Management System shall constitute grounds for suspension or termination of this contract, without prejudice to any additional legal action that may be applicable.

The Contractor acknowledges that it is solely responsible for complying with labor, social security, and occupational health and safety obligations with respect to its staff and subcontractors, in accordance with the Ecuadorian Labor Code and other applicable regulations. Likewise, it undertakes to immediately inform the BCA Fund of any labor or socio-environmental non-compliance detected in the execution of the contract; and acknowledges that the BCA Fund assumes no employment relationship with its staff or that of its subcontractors, limiting itself to requiring and supervising compliance as a contractual condition.

8. LIMITED JOINT LIABILITY

The BCA Fund will not be considered, under any circumstances, the employer of the employees or workers of contracting or subcontracting organizations. Such staff will act under the exclusive responsibility of their respective employers, who are solely responsible for compliance with all labor, social security, occupational health and safety, compensation, social benefits and other obligations established in Ecuadorian legislation. However, the BCA Fund will require such compliance as a contractual condition to mitigate reputational and compliance risk.

The BCA Fund will act exclusively as a financing and contractual compliance supervision entity, without exercising management, subordination or labor control over the staff of project executors, contractors or subcontractors, who will be solely and directly responsible for compliance with all labor, social security, occupational health and safety, compensation, social benefits and other obligations established in Ecuadorian legislation with respect to their staff and subcontractors.

The BCA Fund reserves the right to suspend disbursements or terminate the contract in the event of serious non-compliance with labor, social or environmental obligations, in accordance with the BCA Fund’s Environmental and Social Management System (ESMS) and applicable international standards.

Contractors and subcontractors must immediately inform the BCA Fund of any labor or socio-environmental non-compliance detected in the execution of the contract, as a condition for maintaining its validity.



CERTIFICATE

I, hereby certify that this is a faithful translation from the original in SPANISH into ENGLISH

Quito, April 1, 2026



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