

Environmental and Social Review Summary (ESRS) Costa Verde Sustainable Health Complex - Panama

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1. General Information of the Project and Scope of IDB Invest's Environmental and Social Review

DOSTORRES, S.A. and Servicios de Salud Costa Verde S.A. (together, the "Borrower" or the "Company") are the special purpose entities created for the design, construction, and operation of a new hospital complex to be located in the Province of Panama Oeste, Panama. The Sponsor, Hospitales Nacionales, S.A., has a track record of more than 50 years in the health sector, and operates a third-level private hospital (Hospital Nacional), located in downtown Panama City, which offers a wide range of state-of-the-art medical services.

The proposed operation (the "Project" or the "Hospital") consists of financing for the design, construction, and operation of a new EDGE sustainable construction certified hospital¹. The building, to be constructed in the district of La Chorrera, West Panama Province, Panama, on land that is part of a real estate development zone called Costa Verde, will have eight floors, an area of approximately 23,500 m² and a capacity for up to 58 beds.

The environmental and social due diligence ("ESDD") included: i) a review of relevant environmental and social information, such as environmental permits, Environmental Impact Assessment ("EIA"), human resources (HR) policies and procedures, master development plan for the Project and the proposal for EDGE sustainable construction certification; ii) several virtual and face-to-face meetings with representatives of the borrower and the sponsor; and iii) visits to the National Hospital (medical center operated by the sponsor) and to the site and surroundings where the Project will be built.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest's Environmental and Social Sustainability Policy since it will likely generate the following environmental and social (E&S) impacts and risks: (i) risks to the occupational health and safety of workers, ii) the generation of both hazardous and non-hazardous waste, iii) wastewater generation; (iv) emission of polluting gases into the atmosphere; (v) noise pollution; (vi) increased vehicular traffic in the areas surrounding the Hospital; y (vii) risk of fire and other emergencies, increased by the presence of people under medical care with reduced mobility. These risks and impacts are deemed to be of medium intensity and easily manageable through standard practices.

The Performance Standards (PS) triggered by the Project are: PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety, and Security.

¹ EDGE is a sustainable building certification system that focuses on making buildings more efficient. <u>https://edge.gbci.org/</u>

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

Construction of the Hospital will be executed by a contractor company and will take place on a 5.5hectare ("ha") site owned by the Borrower and located in Costa Verde, Corregimiento de Puerto Caimito, District of La Chorrera, Province of Panama Oeste, Panama. Costa Verde is a real estate development zone of more than 1,400 hectares that has a Master Development Plan approved by the Ministry of Housing and Land Management ("MIVIOT"), which considers the development of various commercial infrastructure, educational centers, medical centers, sports infrastructure, medium- and low-density residential areas, and green areas.

The Project site is bordered to the north by the Arraiján - La Chorrera highway; to the west by an undeveloped plot of land; to the south by an internal street of Costa Verde; and to the east by another undeveloped plot of land. The Project site is covered by mature and young secondary forest vegetation and some patches of white thatch. Nevertheless, historically, the Project area has been subject to strong anthropogenic disturbances associated with the decades-long practice of extensive agriculture and cattle ranching.

The Project has an Environmental Impact Assessment² ("EIA") whose mitigation measures include the implementation of a wildlife rescue plan and a reforestation plan pursuant to the provisions³ of the Ministry of the Environment ("MIAMBIENTE").

3.2 Contextual Risks

The Project will be developed in the district of La Chorrera, which is part of the metropolitan region of Panama City and one of the fastest growing districts in the country. The rapid urban growth occurring in the region faces several social and economic problems, including crime, irregular land occupation, lack of adequate infrastructure, and environmental problems related to waste management, river pollution, and flooding.

Panama Oeste was the province with the highest percentage of unemployment in the country in 2022 (12.9%).⁴; however, there was a reduction of 5.7% with respect to 2021 (18.6%), which is mainly attributed to the reactivation of several public and private infrastructure projects that demand significant labor.

² Approved by resolution No. DEIA-IA-056-2022 of August 29, 2022.

³ Resolution AG-0292-2008 "Whereby the requirements for Wildlife Rescue and Relocation Plans are established"; and Resolution DM-0215-2019 of June 21, 2019 "Which defines the areas of interest for environmental compensation related to projects, works, or activities subject to the Environmental Impact Assessment process and dictates other provisions".

⁴ Source: Multipurpose Survey 2022, National Institute of Statistics and Census.

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

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a Environmental and Social Management System

The Company will prepare and implement an environmental and social management system ("ESMS") specific to the Project, which will include, among other things: (i) an E&S and occupational health and safety ("OHS") policy; (ii) internal procedures to identify, assess and manage potential E&S and OHS risks and impacts associated with the Project, both for in-house workers and those engaged by third parties (contractors and subcontractors); (iii) internal procedures to ensure compliance with the environmental management plan ("EMP"); (iv) the necessary organizational capabilities and competencies, including the definition of roles and assignment of responsibilities for the implementation of the ESMS;(v) an emergency preparedness and response plan; (vi) a stakeholder engagement plan; (vii) grievance and external communication mechanisms; (viii) protocols for disclosure of Project information; (ix) protocols for the evaluation and continuous improvement of the ESMS; and (xi) requirements for frequent audits and inspections of E&S and OHS requirements, in accordance with Panama's environmental regulations. The ESMS will be periodically evaluated to reinforce or update its components based on applicable E&S and OHS requirements.

4.1.b Policy

As part of the ESMS, the Company will establish an E&S policy defining environmental, social, and OHS goals and principles. This policy shall be approved by the Company's senior management and communicated to employees at all levels of the organization.

- 4.1.c Identification of Risks and Impacts
- 4.1.c.i Direct and Indirect Impacts and Risks

The Project's E&S risks and impacts were identified during the EIA preparation process, in compliance with Panamanian legislation. Direct impacts associated with the construction phase include the following: i) loss of plant cover (secondary forest); ii) increase in noise and vibration levels; iii) dust and particulate matter generation; iv) possible erosion and sedimentation during earthworks; and v) waste generation. The most important impacts associated with the operation phase include the following: i) risks of contamination from hospital waste; and ii) wastewater generation. All Project impacts will be managed (mitigated or compensated) by implementing the EMP, which is part of the EIA.

The Project will also have a positive socioeconomic impact on the district of Chorrera, mainly by attracting local labor and increasing the purchase of inputs, materials, and services.

4.1.c.ii Gender Risks

Panama is a signatory to several international conventions for the eradication of discrimination and violence against women. The country also has laws and institutions such as the National Women's Institute ("INAMU") and the Panamanian Observatory against Gender Violence, which seek to prevent violence against women. Nevertheless, according to the Statistics Center of the Public Prosecutor's Office of Panama, in 2022 there were 21 femicides, 20 attempted femicides, and 20 homicides of women classified as violent deaths in the country, with the province of Panama Oeste being the fourth in this type of crime.

To mitigate gender risks, the Company will formalize its commitments on the prevention of sexual harassment and gender-based violence through its HR policies, which will be updated to include the principles of gender non-discrimination and equal opportunity. The grievance mechanism will also be upgraded to capture and process complaints related to sexual harassment and gender-based violence.

4.1.c.iii Climate Change Exposure

The Project's exposure to natural hazards and physical risks associated with climate change is medium, while its exposure to transition risks is low.

The health sector is directly and indirectly vulnerable to hydrometeorological hazards, as the effects of climate change on hospitals are felt not only in the facilities, but on the overall public health served by the sector.

Hazards over temperature changes, such as an increase in average temperature, heat waves and changes in the number of extremely hot or cold days, can affect the thermal energy performance of buildings. Hospital refrigeration plants and critical ventilation systems (e.g., operating room, intensive care unit, etc.) are particularly vulnerable to this effect.

Towards the end of the century, the Project also has a high exposure to sea level rise, considering a high emissions scenario (RCP 8.5). In fact, changes in hazard exposure values such as flooding can cause damage to water and sanitation infrastructure, and cause water sources to be polluted by overflows. These risks will be considered in the Emergency Preparedness and Response Plan ("EPR").

When it comes to strengthening the country's adaptive capacity as part of its National Vulnerability Index⁵, Panama identifies access to health, infrastructure, and hospitals as critical. Since health is also one of the priority areas of the country's Nationally Determined Contributions ("NDCs"), the Project contributes to Panama's adaptation plan.

In terms of transitional risks, hospitals contribute to greenhouse gas emissions mainly through energy consumption for cooling and electricity as well as the production and disposal of hospital

⁵ See <u>Vulnerability Index to Climate Change of the Republic of Panama</u>, p.14

waste. Nevertheless, transition risk is considered limited as hospitals are a critical social infrastructure.

The Company will seek EDGE or EDGE Advanced certification in sustainable construction for the Project. It will also: i) identify climate risks considering the climate change scenarios of the Intergovernmental Panel on Climate Change ("IPCC") in the area where the Hospital will be located, ii) conduct a climate vulnerability analysis, and iii) identify adaptation and resilience measures that could be incorporated into the Project.

The Project is considered to be aligned with the Paris Agreement based on an analysis conducted in accordance with the IDB Group's Implementation Approach for Alignment with the Paris Agreement.

4.1.d Management Programs

The EMP includes E&S and OHS management programs and plans, which include management measures for the identified impacts. Some of these plans are: Risk Prevention Plan, Citizen Participation Plan, Environmental Education Plan, Fauna and Flora Rescue and Relocation Plan, Contingency Plan, and Monitoring and Control Plan (air quality, noise level, discharge water quality, etc.).

The Company will strengthen the programs and management plans proposed in the EMP and develop additional plans and procedures to assign responsibilities for their implementation, and incorporate specific management measures, key performance indicators ("KPIs") and management procedures, as required.

4.1.e Organizational Capacity and Competency

In line with Panamanian legislation.⁶, the Project will have an OHS team for its construction and operation phases, which will promote occupational health and safety and supervise compliance with national regulations and the OHS plan.

Nevertheless, the Company has yet to define, within its organizational structure, an area or team responsible for the implementation of the ESMS and the EMP. The Company will therefore appoint an E&S specialist with well-defined responsibilities and powers, and ensure adequate human and financial resources for implementing the ESMS. It will also establish training sessions for employees, based on the programs and plans developed as part of the ESMS.

4.1.f Emergency Preparedness and Response

The Project's EMP includes a Contingency Plan, which contains general guidelines and measures to be taken in the event of accidents, incidents, or emergency situations. Despite this, the Company will develop an Emergency Response Plan ("ERP") with specific measures for the construction and

⁶ (i) Executive Decree No. 2 of February 15, 2008 of the Ministry of Labor and Labor Development and (ii) Resolution 45588-2011 of the Social Security Fund.

operation stages of the project, addressing the physical risks associated with climate change, and including: (i) identification of emergency scenarios, (ii) specific emergency response procedures; (iii) a listing of emergency communication contacts and protocols (including communication with affected Communities when necessary); (iv) procedures for interacting with government authorities (emergency, health, environmental authorities); (v) a detail of emergency equipment and facilities (first aid stations, firefighting equipment, personal protective equipment, etc.) and their location; (vi) protocols for the use of emergency equipment and facilities; (vii) identification of evacuation routes and meeting points; and (viii) a training program for workers that includes emergency drills at defined intervals.

4.1.g Monitoring and review

The Project's EMP and its approval resolution establish monitoring measures for parameters of the physical environment, including air quality and noise, wastewater treatment plant ("WWTP") discharge water quality, and occupational monitoring. The results of this monitoring should be consolidated in follow-up reports to be submitted to MIAMBIENTE every six months during the construction of the Project and annually during the operation stage. In addition to the environmental and occupational monitoring measures, the EMP includes some compliance indicators for prevention, control, and mitigation measures for the Project's impacts. Nevertheless, the Company will: (i) develop a monitoring plan for WWTP discharge water quality, ambient and indoor air quality, ambient and occupational noise, and vibration; (ii) establish KPIs for monitoring and implementing the measures established in all ESMS programs and management plans; and (iii) maintain an updated compliance matrix for all legal and contractual obligations of the Project, for its construction phases.

In addition, the Company will establish an internal audit program to verify the compliance status of all environmental, social, and OHS policies, plans, and requirements applicable to the Project, including the progress and performance of ESMS actions with respect to the established KPIs. Based on the results of these internal audits, the Company will define specific measures to reduce impacts, improve efficiency, and document and report the results to management.

4.1.h Stakeholder Engagement

As part of the EIA, the Company carried out activities to disseminate general information about the Project and consultation with the surrounding communities, which, among other issues, addressed the impacts that the project would generate, and the measures proposed to manage them. It also conducted interviews and opinion surveys, which showed that the vast majority of those surveyed were in favor of the Project, mainly because of the jobs it will generate, and the health services it will provide to the local population. In addition, as part of the EIA evaluation process and in compliance with Panamanian law, an EIA excerpt was published in two national newspapers and in the municipality of La Chorrera, offering any person or civil society organization the opportunity to consult or comment on the Project. No formal compliants or comments were received during the Project's EIA evaluation.

Nevertheless, in order to identify all key Project stakeholders and to systematically manage interactions and communications with these parties, the Company will develop and implement a

Stakeholder Engagement Plan ("SEP") that will include: (i) a mapping, analysis, and planning of the identified stakeholders' participation (ii) a mechanism for information dissemination and stakeholder communication; and (iii) a mechanism for the reception, resolution, and registration of community complaints.

4.1.i External Communication and Grievance Mechanisms

As part of the SEP, the Company will develop and implement a mechanism for receiving and resolving community complaints that includes recording, tracking, analyzing, and responding to complaints; it will also establish the means to disseminate the mechanism to stakeholders.

4.2 Labor and Working Conditions

- 4.2.a Working Conditions and Management of Worker Relationships
- 4.2.a.i Human Resources Policies and Procedures

The Project will generate approximately 125 direct jobs during the construction phase and approximately 250 during the operation phase.

To ensure adequate management of human resources, the company will develop a human resources ("HR") policy and the necessary procedures for its implementation, consistent with Panamanian labor laws and the International Labor Organization ("ILO") conventions signed by the country. Such policy and procedures shall include, among other things, the following: i) principles for the prevention of sexual harassment and gender-based violence; ii) commitments to the promotion of gender equality; iii) the principle of non-discrimination and equal opportunity; iv) the commitment to provide adequate working conditions and terms of employment; and v) notice in the event of dismissal and severance pay for employees. The Company will contractually establish that its contractors and subcontractors also comply with the HR policy.

4.2.a.ii Working Conditions and Terms of Employment

The Company will develop a procedure for personnel recruitment, selection, and hiring, which will include the following: (i) conditions for hiring and dismissal of in-house and subcontracted personnel that comply with local regulations and ILO provisions, and that include, at a minimum, provisions to avoid child and forced labor; (ii) procedures for hiring, termination, or reduction of in-house and Project contractor jobs; and (iii) protocols for managing and monitoring the performance of in-house and subcontracted workers.

4.2.a.iii Workers' Organizations

The Political Constitution of Panama recognizes the right of unionization for employers, salaried employees, and professionals of all kinds for the purposes of their economic and social activity. The country has also ratified ILO Conventions No. 87 on Freedom of Association and Protection of the Right to Organize and No. 98 on the Right to Organize and Collective Bargaining.

Through its HR policies, the Company will ensure compliance with national laws on the right of workers to freedom of association.

4.2.a.iv Non-discrimination and Equal Opportunity

The Company will implement an HR policy that establishes non-discrimination and equal opportunity as fundamental principles for all employment decisions (hiring, working conditions, terms of employment, and promotion).

4.2.a.v Grievance Mechanism

The Company will develop and implement a procedure to handle complaints from its employees and contractors, which establishes: i) channels or means for receiving complaints; ii) the process for evaluating complaints; iii) how and by whom responses are provided and followed up; iii) the process for evaluating and improving the mechanism; iv) how the mechanism is disclosed; v) ways to receive and handle anonymous complaints; and vi) the confidentiality of any process.

4.2.b Protecting the Workforce

4.2.b.i Child Labor and Forced Labor

Panama is a signatory to several ILO conventions, including those related to the abolition of forced labor and the prohibition and elimination of the worst forms of child labor. The Company will incorporate verification mechanisms in its HR policies and procedures to ensure the non-employment of minors and the non-existence of forced labor in its activities.

4.2.c Occupational Health and Safety

During the construction stage, the Company, through the main contractor and in compliance with local legislation.⁷, will prepare a Health, Hygiene, and Safety Plan that it will submit, prior to the start of construction, to the Ministry of Labor and Labor Development ("MITRADEL") for its consideration, and will implement it once it has been approved. Likewise, following all legal requirements.⁸, during the operation stage it will implement an Occupational Risk Prevention Plan and an Occupational Health and Safety Plan (both plans are hereinafter referred to as the "Occupational Health and Safety Plan" or "OHS Plan").

In both stages, the Company will maintain qualified personnel for the implementation of the OHS Plan, who will supervise and monitor the OHS management in the Project and will also support the ongoing training of workers with respect to the OHS Plan.

⁷ Executive Decree No. 2 of February 15, 2008

⁸ Resolution 45588-2011 of the Social Security Fund.

4.2.d Provisions for People with Disabilities

The Project will comply with local legislation⁹, which establishes equal opportunity measures for people with disabilities. It will also incorporate in its design the conditions and measures (ramps for wheelchairs in accesses, bathrooms and parking lots adapted and exclusive for disabled people, handrails, etc.) to adapt the physical environment and services to ensure that workers and patients with disabilities have accessibility and safe use of the Hospital.

4.2.e Workers Engaged by Third Parties

During the construction phase, most of the workers will be hired by the main contractor, who, in turn, will be responsible for managing the corresponding supplies and services. During the operation stage, outsourced workers will provide their services primarily in the areas of physical security, maintenance, cleaning, and kitchen.

The Company will incorporate clauses in contracts with third parties that establish the obligation of the latter to comply with the ESMS and the Company's HR policies. The Company will also establish a procedure for contractor and subcontractor management and follow-up, in order to verify their compliance with the ESMS and the Company's policies.

4.2.f Supply Chain

The Company will develop a supplier verification procedure for goods and services that: (i) allows it to conduct an ongoing review of the Project's primary supply chains¹⁰ to identify labor (child and forced labor and significant occupational health and safety risks) and biodiversity risks and impacts; and (ii) limits purchases or procurement of services to suppliers that comply with Panamanian labor laws and demonstrate that their products or services do not materially affect critical or natural habitats.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases (GHG) and Water Consumption

The Project will obtain electricity from the national grid and water from the municipal aqueduct. The Hospital will seek EDGE certification in sustainable construction, which, by integrating technology and strategies for energy efficiency and water use into the Project design, will result in a reduction in GHG emissions and water consumption.

The GHG emissions that the Project will generate during its construction and operation phases will be less than 25,000 tons of CO_2 /year.

⁹ Law 42 of August 27, 1999 and its subsequent amendments.

¹⁰ A primary supplier is a supplier that is involved in the supply chain of goods or materials that are essential to the main business processes of the Project on an ongoing basis. It may supply goods or materials directly to the Project (first-tier primary supplier) or to the first-tier primary supplier (second-tier primary supplier), or it may operate deeper in the primary supply chain.

4.3.b Pollution Prevention

4.3.b.i Waste

The Project will manage hospital waste as required by local legislation.¹¹ regulating segregation, labeling, internal transport, and specifications for temporary storage of this waste. Hospital waste will be transported by a certified company to its disposal destination, where it will be incinerated.

The Project will have a wastewater treatment plant¹² ("WWTP") that will treat its liquid effluents prior to discharge to the final receptors (surface and groundwater bodies). As required by the relevant discharge permit, the Company will implement the Wastewater Discharge Monitoring Program and regularly report the results of this process to the local authorities.

The Company will develop an integrated management plan for non-hazardous and hazardous waste for the Project, using the measures included in the EMP as a basis for waste reduction, recycling—when feasible—, and final disposal.

4.3.b.ii Hazardous Materials Management

During the operation stage, the hospital will use refrigerants in (i) the air conditioning system, (ii) the kitchen cold room, and (iii) the morgue. The Company will use refrigerants classified as nonozone depleting substances under the Montreal Protocol.¹³.

Although in relatively small quantities, the Project will also use fuel to supply the backup power plants, which will be used as back-up when power fluctuations or outages occur.

As part of the OHS plan, the Company will include provisions to handle hazardous materials, including: keeping material safety data sheets ("MSDS") for all substances stored or used in the facilities, use of secondary containment, firefighting systems, etc.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

4.4.a.i Infrastructure and Equipment Design and Safety

While Panamanian law adopts the U.S. National Fire Protection Association ("NFPA") standards for the design, installation and maintenance of fire protection systems, the Company will also incorporate the safety requirements of the IFC Environmental, Health, and Safety Guidelines for Health Care Facilities into the Hospital's designs.

¹¹ Executive Decree No. 111 of the Ministry of Health.

¹² This facility will be designed to comply with DGNTI-COPANIT Standard 35-2019 and the requirements of the IFC Environmental, Health, and Safety Guidelines for Healthcare Facilities.

¹³ The main goal of the Montreal Protocol is to protect the ozone layer by taking measures to control the total global production and consumption of ozone-depleting substances, with the ultimate goal of eliminating them, based on progress in scientific knowledge and technological information.

4.4.a.ii Hazardous Materials Management and Safety

The Company will transport hazardous waste using suppliers duly authorized by the competent authorities and will verify, through the implementation of a procedure for the management and follow-up of contractors and suppliers, that they comply with the corresponding safety standards.

4.4.a.iii Community Exposure to Disease

Risks to the community associated with the healthcare facility environment are primarily related to hazardous waste. In this regard, the Company will implement an Integrated Hazardous and Non-Hazardous Waste Management Plan to control these risks.

4.4.a.iv Emergency Preparedness and Response

The Company's Emergency Response Plan will include an analysis of risk situations that may affect neighboring communities. To this end, it will evaluate different risk and emergency scenarios, identifying the most probable ones and determining the potential effects they could have on the communities, should they occur. The plan will also propose a series of inter-institutional coordination actions (firefighters, health centers, police, environmental authorities, etc.) to respond to and control these emergency situations.

4.4.b Security Personnel

The Company will establish a Code of Conduct and action protocols for personnel providing asset security services, which will be aligned with the United Nations Voluntary Principles for Security Forces and Human Rights. This code will be disseminated to security personnel through regular training events. Moreover, contracts with security providers will require security personnel to comply with the Company's Code of Conduct and performance protocols.

4.5 Land Acquisition and Involuntary Resettlement

The Project will not cause any physical or economic displacement of the population. The land required for the construction of the hospital corresponds to lots previously acquired for this purpose.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project will be developed in a suburban area that is part of the Metropolitan Region of Panama City and is heavily affected by anthropogenic activities (urbanization, highways, and roads). For this reason, there will be no material impacts on biodiversity or living natural resources, nor will it affect critical habitats or biologically or ecologically sensitive areas.

In any case, before starting construction activities, the Company will implement a Wildlife Rescue Plan and will request the approval of the Reforestation Plan pursuant to Panamanian regulations.

4.7 Indigenous Peoples

The Project will not intersect indigenous areas or territories, nor will it directly impact Indigenous peoples.

4.8 Cultural Heritage

The Project is not located in any protected or declared archaeological area, nor is there any history of historical or cultural archaeological remains in the area. Nevertheless, the Company will adopt a chance finds procedure.

5. Local Access of Project Documentation

The documentation relating to the project can be accessed at the following link: <u>https://www.hospitalnacional.com/</u>