

## Environmental and Social Review Summary (ESRS) Hotel La Compañía El Valle – PANAMA

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### 1. General Information of the Project

This Transaction consists of a financing facility for Shebandowan Holdings, S.A.<sup>1</sup> (the “Company”), to acquire, renovate, improve and rebrand Hotel Los Mandarinos and event venue Casa Lourdes into Hotel La Compañía El Valle (HLC El Valle), as part of The Unbound Collection by Hyatt portfolio (jointly, the “Project”).

Hotel Los Mandarinos was opened by the Fábrega family in 2005 and has gone through three major expansions, gradually to reach 70 rooms in 2016. It has succeeded in positioning itself as a leading hotel in the Anton Valley<sup>2</sup> in terms of size and market share. Despite its success from the early days in business, its market share has shrunk and its infrastructure requires major capital and operational enhancements to keep up with the changing trends in tourist demand. In 2023, the current 76-year-old owner launched the sale of the hotel and the neighboring event venue Casa Lourdes (owned by his sister), in the hope of finding a strategic buyer that can guarantee business continuity.

The hotel is underutilized. However, it has significant comparative advantages that would be enhanced by a renovation and improvement of the existing facilities, the appointment of a professional management team, and the creation of operational synergies, like shared costs and scale economies linked to the operations of Hotel La Compañía (owned by the Company), located in the historic district in the City of Panama.

### 2. Scope of the Environmental and Social Review of IDB Invest

The environmental and social assessment of the proposed Transaction consisted in a desk review of the Company’s environmental and social performance over time, focused on compliance with the following Performance Standards (PS): 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.

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<sup>1</sup> Shebandowan Holdings S.A. is Hotel La Compañía’s (HLC) borrowing entity and will be the guarantor to this Transaction.

<sup>2</sup> Anton Valley is a tourist rural village located in the North East of the Anton district in the province of Coclé, Panama; it is very popular among the residents in the City of Panama, as it offers recreational and leisure activities, including trekking, horse-riding, camping, landscaping, craft fairs, museum and zoo visits, among others.

### **3. Environmental and Social Categorization and Rationale**

According to IDB Invest's Environmental and Social Sustainability Policy, the Transaction has been classified as of Category C, because the incremental impacts to be generated will be low or almost negligible, as the Project is about the renovation of existing infrastructure which is currently fully operational.

### **4. Environmental and Social Risks**

#### **4.1 Assessment and management of environmental and social risks**

The Company has in place an Environmental and Social Management System (ESMS) based on the Environmental, Social, and Occupational Health and Safety (E&S OHS) Management Rulebook, which establishes the guidelines to comply with the quality, safety and environmental measures applicable to the execution of this Project. Moreover, the ESMS has an integrated E&S OHS policy stating the Company's commitment to complying with the applicable legal requirements and to preventing (i) environmental pollution, (ii) workers' injuries and diseases, and (iii) impacts on the communities near the Project. In this regard, the Project has the environmental authorizations<sup>3</sup> and construction permits needed to carry out its activities.

As a way of formalizing its commitment to sustainability, the Company will keep its ESMS in place, focusing on the issues that may affect the creation or upkeep of the economic, environmental and social value of the Project.

The Company has a Project Manager, who, with the support of an E&S OHS unit dedicated to the Project, will be responsible for: (i) planning, implementing and monitoring all necessary E&S OHS actions; (ii) managing and coordinating how the ESMS implementation will be tracked with other areas in the Company; and (iii) reporting the Company's E&S performance results.

The Company will update and implement the Emergency Response Plan (ERP), in compliance with the national regulations<sup>4</sup>, in order to establish which activities are to be progressively carried out to orchestrate the tasks, assess the risks, create the action plans, track and assess the operation in case of an emergency. The updated ERP will be accompanied by an annual training program that will look to strengthen the effective response to emergency situations, and will include, among other things, training sessions for the emergency response team members on the following topics: (i) first aid (basic life support, bleeding, shock, wounds and burns, fractures, moving the wounded, etc.); (ii) fire prevention and fighting (safety of the fire brigade, hose folding, extinguisher handling, etc.), and (iii) search and rescue, among others.

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<sup>3</sup> Panama's Ministry of Environment has ruled that no environmental impact assessment is required for the improvement works in the existing facilities of Hotel Los Mandarininos.

<sup>4</sup> Safety principles in the civil protection regulation in Panama (Executive Decree No. 177 of April 30, 2008, regulating Law No. 7 of February 11, 2005).

The Company will assess the Project's E&S OHS performance to define specific measures that help improve its environmental and social efficiency and effectiveness. It will also document and report on the progress of the new procedures adopted to improve its E&S performance.

The Company will prepare and implement a Stakeholder Engagement and Communication Plan for the Project to: (i) identify, know and be close to these human groups; (ii) hear their interests and expectations directly from them, and (iii) disclose the ESMS.

The Company's Project Manager and Human Resources Department will be responsible for keeping an open dialog and promoting seamless, permanent, transparent communication with its workers, external interlocutors and stakeholder groups. It will thus use open communication channels (most of them being two-way) including, among others: in-person and virtual meetings, participation in forums and the publication of press stories and news, as well as newsletters on its website, the intranet and social media posts.

The Company will develop and implement a Grievance Mechanism and a Grievance Management Protocol to receive and resolve Project-linked requests for information, reports and grievances from the different external stakeholders and the public in general. The grievance mechanism will include a direct, confidential hotline to capture requests for information, reports and grievances related to the Project, with users not fearing retaliation and reporting anonymously if they prefer to do so, through different channels, such as the web portal, a dedicated e-mail address and a postal address. The grievance protocol will reveal: (i) how the grievance or report was captured; (ii) who submitted it (client, community, stakeholder), unless it has been made anonymously; (iii) how it was classified, processed, assessed and investigated, and how long it took; (iv) how it was resolved and tracked; (v) how it was closed or concluded, and how long it took; and (vi) when applicable, how the Project's stakeholder engagement and communication plan was adapted or improved, in terms of information communication and disclosure.

#### **4.2 Labor and working conditions**

The general working conditions and aspects, in terms of working schedules, salary, holidays, workers' compensation, labor systems, safe working conditions and social benefits, etc., are very well regulated in Panama's labor and OHS legislation. In this regard, the Company has a Code of Business Ethics and a Workers' Code of Conduct meant to guide the behavior of all workers, without distinction or limitation, as well as its suppliers and clients so that they behave in line with the highest personal and professional integrity standards. The codes of ethics and conduct clearly express the Company's commitment to offering safe, healthy workplaces; give guidelines for processes and decision-making to guarantee equal opportunities, decent, fair treatment, and non-discrimination for its workers; have specific measures to prevent, address and punish any form of harassment, threat or abuse of power; promote fair treatment at recruitment, selection and hiring; promote respect for human rights and dignity for the workers; and establish its commitment to the E&S environment, demanding compliance with all environment conservation and protection standards, as well as respect for the social environment where they are present.

The Company will extend its direct and confidential Whistleblowing Channel so that any employee can consult, report or complain about any breach of the Code of Business Ethics and Code of Conduct, an

internal procedure or rule, or any applicable regulation or law. Nonetheless, in order to support the functionality of this channel, the Company will develop and implement Workers Grievance and Suggestions Procedure to (i) capture direct or anonymous grievances filed by the workers; (ii) enable an engaging space which encourages the staff to develop a sense of belonging, without fear of retaliation; (iii) detect areas of improvement in the service and the relationships among workers; (iv) avoid conflict and solve the existing ones; and (v) in case of serious violation, give access to other applicable legal or administrative resources, according to work or civil regulations.

In compliance with the Panamanian legislation on workers' safety, health and hygiene<sup>5</sup>, the Company will update the Occupational Health and Safety Management Plan for the Project, which will involve: (i) identifying possible risks for the health and safety of workers and everyone else accessing the facilities, them being suppliers, supervisors or visitors, depending on the work or activity they perform; (ii) detailing the preventive and protective measures implemented, both in terms of emergency and personal protective equipment (PPE); (iii) setting the training requirements for workers, including daily safety briefings at different workplaces; and (iv) submitting a copy of the reports derived from work accidents or incidents.

The Code of Business Ethics states the commitments between the Company, its clients and service providers, in order to guarantee the latter comply with the Company's ethical principles and general rules of engagement. In this regard, all Company suppliers are selected following a process with stringent tax, competition, professionalism and quality regulations. However, the Company will update the selection process in order to include an assessment of their compliance with the labor and OHS, social responsibility and E&S standards, as well as with its ethical principles. The contract with its suppliers will incorporate provisions to require compliance with: (i) the labor and OHS legislation in force in Panama, in particular the ban on forced labor and child labor, the defense of non-discrimination and gender equality, and the protection of safe working conditions, and (ii) the applicable environmental legislation in order to minimize the environmental impacts, by preventing pollution and encouraging the rational use of natural resources and energy in its operations.

The Company's management will also go on checking its strategic suppliers for their E&S, labor and OHS performance and, to a reasonable extent, to guarantee the continuous improvement of their commitment to sustainable management.

### **4.3 Resource efficiency and pollution prevention**

Given the nature of the activities, the amount and use of their own vehicles and those of third parties', the GHG emissions are expected to be lower than 25,000 tCO<sub>2</sub>eq/year during the Project construction phase. However, when the Project is operating, the Company will prepare an annual GHG emission inventory, quantifying the direct emissions from the use of fuel (Scope 1), the indirect emissions from electricity consumption (Scope 2) and those coming from the transportation of services provided by third parties (Scope 3)—for instance, transporting visitors and materials and goods acquired from its supply

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<sup>5</sup> Executive Decree No. 2 - Health, safety and hygiene regulations in the construction industry (of February 15, 2008); Resolution No. 45-588 -2011 -J.D. Caja de Seguro Social - General regulation for the prevention of professional, and occupational health and hygiene risks (of February 21, 2011); Law No. 66 - Sanitary Code, Chapter II - Industrial hygiene; Decree No. 68 - Professional risks.

chain—, using the methodology created by the Greenhouse Gas Protocol Initiative”<sup>6</sup>. The variation in the outcome as detected when compared to the baseline year (first full year of operations) will be as well informed annually, together with an explanation of the causes.

The energy required by the Project will be provided through the public grid and under the framework of a service contract executed with the authorized distributor. It is estimated that the Project will not generate any significant increase in the average energy consumption during the operation and maintenance (O&M) phase.

The water consumption of the Project (construction activities, human consumption by the workers and human consumption by employees, guests and visitors during the O&M phase) is estimated as low. The drinking water will be supplied through a concession well located within the site, while the water for the construction activities will be provided, depending on the volume, by the public system or through tanker trucks from authorized sources. Regardless of the above, the Company will constantly seek to optimize the use of resources for its operations and will avoid wasting water as part of the ESMS.

The liquid effluents from the Project will be discharged through a wastewater treatment system owned by the Company. In this regard, the Company will develop and implement an effluent monitoring program for the Project, which will inform the quality of the effluents, as instructed in Panamanian regulations<sup>7</sup> and the applicable international standards.

The Company has a waste management plan establishing its commitment to the treatment, use and valorization of its solid waste so as to minimize the risks for human health and environmental protection. In addition, all its contractors and subcontractors should take care of the end-to-end management of their solid waste from generation to disposal. In this sense, the Company and all its contractors and subcontractors should classify their waste and verify whether they may be reused (internal reuse or recycling), separate and store it temporarily based on its nature (hazardous and non-hazardous) before adequately disposing of it. Domestic or non-hazardous waste will be transported by a duly authorized service provider or by the garbage collection service of the Municipality, and transferred to an authorized landfill.

The Project will not generate a significant volume of hazardous waste. Despite this, the waste actually generated (materials polluted with or empty containers of paint, solvents and used oil, among others) will be classified, managed, staged and collected for final disposal as set forth in national regulations. The Company will not transport its solid waste outside its facilities. Instead, it will be managed by a provider duly authorized by the Environmental Authority and in compliance with current regulations (Resolution

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<sup>6</sup> The Greenhouse Gas Protocol Initiative (<https://ghgprotocol.org/>) is a multi-stakeholder partnership of businesses, non-governmental organizations (NGOs), governments, and others convened by the World Resources Institute (WRI), a U.S.-based environmental NGO, and the World Business Council for Sustainable Development (WBCSD), based in Geneva, Switzerland.

<sup>7</sup> Resolution No. 351 of July 26, 2000, approving Technical Regulation DGNTI-COPANIT-35-2000 about liquid effluents discharged directly onto bodies and masses of surface and underground water.

No. 1029<sup>8</sup>). The final disposal of hazardous solid waste will be carried out in compliance with current Panamanian regulations (Executive Decree No. 156<sup>9</sup>).

#### **4.4 Community health and safety**

The renovation works on the Project facilities will be designed and carried out by competent contractors showing: (i) they can prove they comply with the applicable national and international construction and safety guidelines, standards and codes; (ii) they have experience in the construction and operation of this type of works; and (iii) they use the international good practices recommended by the industry. Moreover, the Company included in the construction services contracts specific clauses to address any type of claim and respond in the event of damages caused on the property of the State, an individual or the community which may occur in the area of influence of the Project.

The Project's construction activities will lead to more transportation of materials, goods and people, from and to the Project. However, the Company has in place road traffic safety measures to mitigate the possible impacts on the neighboring communities, such as: speed control in the populated areas, weight and size control depending on the type and condition of the roads, etc.

In accordance with the requirements from the Firefighters Corpse, the layouts of life and fire safety (L&FS) installations or systems of the Project buildings should observe the following: (i) Resolution No. 725<sup>10</sup>, adopting the international standards of the National Fire Protection Agency (NFPA); (ii) related local laws and regulations; and (iii) international conventions on rights and the principle of equal opportunities for disabled persons ratified by Panama.<sup>11</sup> In this sense, the Company will contract qualified L&FS professionals to certify that: (i) all Project facilities, whether concluded or under construction, are built in accordance with approved L&FS designs; (ii) all services have been installed according to the L&FS design, and (iii) all L&FS equipment units have been tested following international requirements.

#### **5. Proposed Management Measures**

Since the negative E&S impacts to be generated by the Transaction are not material, no specific management measures are proposed.

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<sup>8</sup> Resolution No. 1029 of November 8, 2011, establishing the requirements and procedures to obtain the Operating Sanitary Permit for all activities related to the classification, bottling/canning, packing, collection, transport, staging, treatment, shredding, neutralization, recycling, encapsulation, recovery, reuse and final disposal of hazardous waste.

<sup>9</sup> Executive Decree No. 156 of May 28, 2004, approving safe sanitary landfill regulations.

<sup>10</sup> Resolution No. 725 of July 12, 2006, adopting as reference the standards of the National Fire Protection Association, NFPA 101, 2003 Spanish edition, Life Safety Code; NFPA 13, 2002, Spanish edition, Signs for the Installation of Sprinkler Systems; NFPA 20, 1992 Spanish edition, Standard for the Installation of Stationary Pumps for Fire Protection; and additional functions are assigned to the Consulting Committee for the study, adaptation and application of NFPA 101, Life Safety Code.

<sup>11</sup> Law No. 15 of May 31, 2016, amending Law No. 42 of 1999, establishing equal opportunities for persons with disabilities; Law No. 42 of August 27, 1999, establishing equal opportunities for persons with disabilities; Law No. 25 of July 10, 2007, approving the Convention on the Rights of Persons with Disabilities and the Optional Protocol to the Convention on the Rights of Persons with Disabilities adopted by the United Nations General Assembly in New York on December 13, 2006.

## **6. Additional Information**

The Company offers additional information about its services and culture in its webpage: <https://panamacascoviejo.com/hotel-la-compania-hyatt/?lang=es> and <https://www.hyatt.com/es-ES/hotel/panama/hotel-la-compania/ptyub..>