

## Environmental and Social Review Summary (ESRS) CVD19 GHL Facility – COLOMBIA

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### A. Environmental and Social Review Summary (ESRS)

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

GH L Grupo Hoteles, S.C.A. (“GH L”, the “Group” or “the Company”), founded in 1964, is specialized in operating hotel assets under the highest standards and operational efficiencies in 10 Latin American countries via operation and administration contracts, managing its own brands and others belonging to international hotel chains such as Sheraton, Sonesta, and Wyndham. The hotels are primarily located in urban areas, such as: Bogotá, in Colombia; San José, in Costa Rica; Tegucigalpa, in Honduras; Managua, in Nicaragua; Guatemala City, in Guatemala; and Quito, in Ecuador, among others; however, the Company also has hotels in leisure destinations such as Santa Marta, Colombia and Paracas, Peru.

In addition to its hotels, the Company operates a catering service, a convention center, a vacation club, 108 restaurants located within its hotels, and a technology and digital marketing company that provides services to the Group’s businesses (the “associated businesses”).

The COVID-19 pandemic has had a significant and unprecedented impact on global tourism, and particularly on GH L’s operations. For that reason, the Company is seeking working capital financing to maintain the operation of its hotels and the Group’s other associated businesses in Colombia, Argentina, Chile, Costa Rica, Ecuador, Guatemala, Honduras, El Salvador, and Peru. Also, to the extent to which it stabilizes its operations, the Company also aims to grow and consolidate its brand in the region through the incorporation of new operations with existing hotels in its operating portfolio (the “Project”).

The Environmental and Social Due Diligence (ESDD) process involved the review of information provided by GH L, which included the following: environmental and social management policies, plans, manuals, and procedures; human resources policies; occupational health and safety (OHS) programs and manuals; waste management procedures (both for hazardous and non-hazardous waste, or special waste); workplace environment monitoring and assessment procedures (air emissions, noise, and effluents); and emergency response plans. This process was complemented by interviews with the Company’s personnel in areas including human talent, OHS, sustainability, and procurement and operations associated with the Project.

#### 2. Environmental and Social Categorization and Rationale

In accordance with the IDB Invest Environmental and Social Sustainability Policy, the operation has been classified as Category C, as it will generate almost no adverse environmental or social risks or impacts and, if such risks or impacts are generated, they will be very limited. Given the above, the assessment will focus

on the Company's level of compliance with the following International Finance Corporation (IFC) Performance Standards (PS): (i) PS 1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS 2: Labor and Working Conditions; and (iii) PS 3: Resource Efficiency and Pollution Prevention.

### 3. Environmental and Social Context

GHL, which is headquartered in Colombia, has more than 59 hotels and is present in 10 countries and 41 destinations, with a total capacity of more than 7,000 rooms. In 2019, the Group had approximately 5,000 employees in total, of which more than 90% were hired regionally or locally in each country where the Company carries out its operations.

As part of its sustainability efforts, GHL aims to ensure that its hotel assets operate in compliance with applicable legal, financial, environmental, and social requirements. Through its environmental commitment, the Company has adhered to the following monitoring and improvement programs for its operations in Colombia: (i) the sustainability certification for Accommodation and Hospitality Establishments (AHE); and (ii) the OHS management certification for the control of workplace risks.

Additionally, in response to the COVID-19 pandemic, the Company has implemented biosecurity protocols and programs in its hotels and associated businesses that aim to protect its employees, as well as customers, guests, and suppliers. The Company has also obtained the following certifications for its hotels in Colombia on its own initiative: (i) "Safe Guard",<sup>1</sup> issued by Bureau Veritas; (ii) "Together against COVID",<sup>2</sup> issued by the Colombian Hotel and Tourism Association (COTELCO); and (iii) "Certified Check-In" from the Colombian Ministry of Commerce, Industry and Tourism,<sup>3</sup> issued by Bureau Veritas.

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

### 4.1 Assessment and Management of Environmental and Social Risks and Impacts

GHL has implemented an Occupational Health and Safety and Environmental Protection Management System (OHSEPMS) that complies with the requirements of PS 1. The OHSEPMS aims to ensure a high level of physical, social, and mental wellbeing for its employees, reducing or eliminating their exposure to occupational risks and decreasing the negative environmental impacts generated by its operations. The system is in line with international standards such as OHSAS 18001:2007, ISO 14001:2004 and ISO 9001:2008; Colombian technical standards including NTS-TS 002:2006,<sup>4</sup> NTC 5133:2006<sup>5</sup> and NTSH 006:2009,<sup>6</sup> and the provisions of Colombian Labor Sector Regulatory Decree 1072 of 2015.

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<sup>1</sup> The Safe Guard certification has been designed to ensure that establishments have met the necessary safety standards and cleaning protocols to enable them to reopen in compliance with COVID-19 health and safety measures.

<sup>2</sup> In compliance with the guidelines of Colombian Ministry of Health and Social Protection Resolution 666/1285 of 2020.

<sup>3</sup> Colombian Ministry of Commerce, Industry and Tourism Resolution 576 of May 27, 2020.

<sup>4</sup> NTS-TS 002 specifies the environmental, sociocultural, economic and sustainability management requirements that are applicable to accommodation and hospitality establishments (AHEs).

<sup>5</sup> NTC 5133:2006 is in line with the implementation of the Colombian Environmental Seal for AHEs.

<sup>6</sup> NTSH 006:2009 establishes the infrastructure and service quality levels that hotels must provide in order to obtain their tourism quality certificate. Similarly, it defines the classification of AHEs by rating hotels from 1 to 5 stars.

Additionally, the Company has implemented an OHSEPMS Policy that establishes its commitment to complying with current regulations in each country where it operates, and continually improving its system. These commitments are connected and operationalized via an OHSEPMS Implementation Guide.

GHL has appointed suitable and competent personnel to lead and coordinate the OHSEPMS. The process supervisors and general management are committed to the implementation of activities, management, task administration, and continuous improvement of the system, as well as ensuring that employees at all levels in the Company are aware of, understand, and implement the OHSEPMS Policy. The Human Talent Department and Environmental Management Department are responsible for the implementation of the system in all hotels, together with the OHSEPMS Leader and Coordinators, supported by the Joint Occupational Health and Safety Committee (JOHSC) and the Workplace Relations and Environmental Management Committee.

In addition to ensuring the compliance of all projects with local environmental regulations, GHL identifies and assesses environmental and social risks and impacts, and establishes the type of control and management, mitigation, or compensation strategy in accordance with the following corporate documents, all of which form part of the OHSEPMS: (i) Legal Requirements Identification Matrix; and (ii) Hazard and Impact Identification Matrix, which in turn is subdivided into the Hazard Identification, Risk Assessment and Control Specification Matrix (HIMRACS) on OHS, and the Environmental, Sociocultural and Economic Impacts Matrix for Environmental Protection and Sustainable Tourism (EPST).

As part of the OHSEPMS, the Company has designed an Emergency Prevention, Preparedness, and Response Master Plan. This plan identifies fires, terrorist attacks, cyber attacks, explosions, technological and structural failures, and network infrastructure failures as the most significant anthropogenic threats that may give rise to emergency situations. It also identifies earthquakes, floods, thunderstorms, windstorms, and sanitary or public health emergencies as additional threats that may give rise to emergency situations. All these threats, if they occur, could interrupt GHL's normal operations and result in losses for the Company. In that sense, in compliance with civil protection legislation in each country where the Company operates, each hotel or establishment must develop a Specific Emergency Plan that includes preventive, administrative, functional, and operational actions to be taken before, during, and after an emergency.

Regarding training, in accordance with the Training Matrix by Position and specific requests made by each process leader, the Company identifies training needs and defines an Annual Training Plan as part of the Annual Human Talent Management Schedule. This plan, which is developed by Human Talent and OHSEPMS leaders, together with the JOHSC, is approved by senior management.

Communication and participation are essential processes in the OHSEPMS, through which employees and stakeholders can continually develop and review GHL's OHS and environmental protection practices, and even its management. In that sense, the Company has implemented a Communication, Participation, and Consultation Procedure that establishes the methodology for receiving, documenting, and responding to both internal and external inquiries, including relevant comments from stakeholders, under OHSEPMS guidelines. Internal communication is carried out via print and digital media (memorandums, newsletters, bulletins, posters, emails, etc.), meetings, and proprietary computer systems (GHLink<sup>7</sup>). Meanwhile, external communications aiming to build, maintain, or improve relations with the Company's various stakeholders, project a positive image, or promote activities, products, and services include written media

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<sup>7</sup> GHLink is a web platform that contains all 5 modules included in the GHL Training School, a virtual training initiative.

(print and digital media, accessed via the website, text messages, and email) and a dedicated telephone line.

## 4.2 Labor and Working Conditions

General working conditions are very well regulated by the labor and OHS regulations of the countries in which the Project is located, especially with regard to working hours, wages, vacations, employee benefits, employment practices, safe working conditions, and social security, among other aspects. Additionally, the Company has implemented a Code of Conduct, Business Ethics and Human Rights that aims to guide the behavior of all employees without any distinction or limitations, as well as suppliers, contractors, customers, investors, or any individual or legal entity with which the Company conducts any type of business or establishes a partnership, to ensure that they act in accordance with the highest standards of personal and professional integrity in all aspects of their activities. This code makes an overt commitment to diversity and inclusion; establishes guidelines for processes and decisions that guarantee equal opportunities, gender equality, and non-discrimination; contains specific measures to prevent, address, and penalize any type of harassment; ratifies the freedom of association of its employees without fear of reprisals; promotes OHS; prohibits child labor; and outlines penalties for crimes and sexual exploitation of minors, responsibilities which extend to all of the Company's suppliers and contractors.

The Company has implemented Internal Labor Regulations (ILR) that establish and ensure compliance with local laws and international conventions and treaties on labor and human rights ratified by each country where it operates, as well as decent working conditions, a healthy workplace environment, and optimal working conditions for its employees, including key issues such as: (i) eligibility conditions; (ii) apprenticeships; (iii) probation periods; (iv) employment contracts; (v) working hours, shifts, and overtime; (vi) paid vacations and mandatory rest days; (vii) permits and licenses; (viii) salaries; (ix) healthcare services, safety measures, occupational risks, first aid and OHS regulations; (x) prohibition of child labor and specific working conditions for minors aged 15 to 17, as permitted by the labor legislation in each country; (xi) special obligations and restrictions for the hotel and employees; (xii) grounds for contract termination; (xiii) misdemeanors and disciplinary measures; (xiv) workplace harassment prevention mechanisms; (xv) employee complaints; and (xvi) teleworking.

In line with the World Tourism Organization's principle of shared responsibility and the Global Code of Ethics for Tourism, the Company implemented a Social Development Program for the Prevention of Sexual and Commercial Exploitation of Children and Adolescents (SCECA) to prevent the sexual and commercial exploitation of children and adolescents, as well as prohibiting child labor in the Company and raising awareness of these crimes among all employees.

In addition to the conditions contained in the ILR, as part of the process to generate the HIMRACS in the OHSEPMS, the following indicators are measured to prevent occupational diseases caused by environmental factors to which employees are exposed: (i) lighting; (ii) noise; (iii) temperature or thermal discomfort, both heat and cold; (iv) chemical pollutants, including particulate matter, gases and vapors, or a combination of them; (v) workstation analysis; and (vi) psychosocial risk assessment.

GHL has implemented a Human Talent Management System (HTMS) that adheres to the principles of non-discrimination, gender equality, social inclusion, respect for human and labor rights, and respect for the cultural and legal characteristics of each country in which the Company is present. The HTMS establishes three strategies to maintain adequate levels of motivation and productivity among the workforce: (i)

social wellbeing, composed of recreation and sports programs, work-life balance, and social activities; (ii) occupational health or OHS, which is implemented via the OHSEPMS; and (iii) social benefits, divided into the following categories: a) legal benefits, which are required by local labor legislation in each country in which the Company operates; b) spontaneous benefits, which are agreed between human talent leaders and general management, but are not required by law or collective bargaining (home medical assistance, dental plans, financial and educational assistance, and flexible working hours); and c) supplementary benefits, which include services and benefits that are of use to employees or improve their quality of life at work and permanence in the Company (employee transport system or assistance, employee dining area, employee locker room and lockers, free Wi-Fi service, and discounts on accommodation and food and beverage services).

The OHSEPMS establishes the guidelines and conduct that must be adhered to in order to protect employees' physical integrity, prevent injuries and damage to their health, and avoid affecting the safety of processes through the implementation of protocols and programs associated with mechanical and chemical risk management, order and cleanliness, and osteomuscular and psychosocial monitoring. Additionally, the Company has implemented protocols for reporting unsafe activities, dangerous conditions and incidents, inspections, and public health, as well as an Accident and Incident Investigation Procedure.

To complement the OHSEPMS and in line with the health requirements related to the COVID-19 pandemic, the Company has implemented a Public Health Monitoring Protocol that outlines a practical methodology for identifying public health risks, and the measures to be taken in the event that health authorities declare a health emergency. Additionally, in accordance with health regulations in each country where the Company operates, OHS standards included in the OHSEPMS, corporate guidelines, and World Health Organization (WHO) declarations, the Company has implemented a Protocol for Preventing Acute Respiratory Infection (ARI) in order to prevent, control, and reduce the risk of spreading respiratory viruses in its facilities.

With regard to its supplier relations, the Company's Code of Conduct, Business Ethics, and Human Rights establishes commercial practices to maintain healthy relationships with its suppliers, aiming to guarantee that their work philosophy is consistent with GHIL's values. Additionally, the Company has implemented a Contractor Relations Protocol which stipulates that all contractors must be selected and registered based on specific selection and hiring requirements, under strict competence, professionalism, quality, social responsibility, and cost-benefit standards. In terms of environmental, labor, and OHS measures, this protocol stipulates that all selected contractors must, among other aspects: (i) implement an OHS management system; (ii) respect local culture, beliefs, traditions, and customs; (iii) comply with legal requirements to prevent the sexual exploitation of minors; (iv) comply with legal requirements to prevent the exploitation of the region's flora and fauna; (v) use products that generate biodegradable and environmentally friendly waste; and (vi) comply with legal requirements for their operation.

In accordance with the type of service to be procured, and its scope or complexity, general management, together with the comptroller, OHSEPMS leader, and area supervisor requesting the service, will define the control and monitoring process, which involves: (i) an initial assessment to determine the supplier's reliability (not reliable, somewhat reliable, and reliable), according to the level of compliance with the OHSEPMS; (ii) an inspection visit, carried out for somewhat reliable suppliers to assess their physical and sanitary facilities, as well as its sanitation, process and manufacturing, and quality assurance and control conditions; and (iii) a performance assessment, classifying the contractor's compliance based on the

products delivered, their quality, price, payment conditions, and environmental management, depending on the risk level assigned to the service.

Regarding complaints or grievances management, the Company has provided a confidential, secure, and respectful feedback mechanism for its personnel, suppliers, and other stakeholders, by which they can personally or anonymously report any irregular activity or breach of the guidelines included in its Code of Conduct, Business Ethics, and Human Rights or applicable regulations, without fear of reprisals. All complaints that are reported directly to the process leaders or Human Talent Departments, or that are registered via the Workplace Harassment Reporting Form, are addressed and investigated by the Workplace Relations Committee. The person who filed the complaint or grievance is informed of the corrective actions resulting from these investigations (where appropriate), which are implemented by the corresponding area under the supervision of the Workplace Relations Committee.

### **4.3 Resource Efficiency and Pollution Prevention**

GHL, via the OHSEPMS and its Policy, requires its hotels and associated businesses to minimize or eliminate (where possible) the negative environmental and social impacts generated during their operation. In that sense, in compliance with the legislation in force in each country where it operates, the Company requires its hotels and associated businesses to prepare and adopt environmental and social management protocols and programs that cover the following aspects, among others: (i) efficient water and energy use; (ii) comprehensive liquid and solid waste management; (iii) air, light, and noise (ALN) pollution prevention; (iv) chemical product and hazardous waste management; and (v) the reduction of air emissions, specifically via the Greenhouse Gas (GHG) Generation and Ozone-Depleting Substance (ODS) Procedure, as well as its tree planting and forest maintenance campaign in collaboration with Fundación Palmarito.

### **4.4 Community Health, Safety and Security**

As the Project does not involve the development of new works or infrastructure, it is not expected to generate additional material impacts on the health and safety of communities located close to its facilities.

However, to strengthen human talent competencies, generate actions aiming to contribute to communities' quality of life, and support the socioeconomic development of the areas in which it carries out its operations, the Company has developed the following protocols and programs: (i) a Social Development Protocol, based on the job competency standards defined by local governments; (ii) various training programs for communities; and (iii) a multitude of charitable works and activities. Additionally, as part of the activities included in the Emergency Master Plan, all hotels carry out an annual evacuation drill, with the voluntary participation of emergency services, guests and customers, as well as the Occupational Risk Manager (ORM)<sup>8</sup>, local community, fire department, and other organizations.

### **4.5 Land Acquisition and Involuntary Resettlement**

The Project does not involve any new works or infrastructure, nor does it require land acquisition for new developments, therefore, it does not involve any kind of involuntary physical or economic displacement.

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<sup>8</sup> Occupational Risk Managers (ORMs) are life insurance companies that provide occupational insurance. That is, they are insurance companies that cover occupational risks, including those that may occur on the employee's commute to work, regulated by Law 1295 of 1994.

#### **4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

As the Project does not involve land acquisition or the development of new works or infrastructure, no significant impact to vegetation or alteration to biodiversity is foreseen.

However, as part of the OHSEPMS, GHIL has implemented a Flora and Fauna Protocol and Program that establish activities to identify and promote natural heritage on a local, regional, and national level, and prevent the illegal trade of flora and fauna within its hotels and associated business via the dissemination of the regulations in force and applicable penalties.

#### **4.7 Indigenous Peoples**

The Project does not involve the acquisition of land for new developments, and as such it is not expected to generate any impacts on indigenous peoples' land or resources.

#### **4.8 Cultural Heritage**

The Project does not involve the development of new properties or hotels, and therefore it is not expected to generate any cultural heritage impacts. Nevertheless, through its OHSEPMS and its Policy, GHIL has developed activities to promote cultural heritage conservation in the countries where it operates and prevent the illegal trade of cultural assets within the Group or organization.

#### **4.9 Local Access of Project Documentation**

GHIL provides additional information on ecotourism on its website: <https://www.ghlhoteles.com/blog/>