

## Summary of the Environmental and Social Review (RRAS or ESRS) Sustainable Tourism Tropicalia II – DOMINICAN REPUBLIC

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### 1 General Information of the Project and the Scope of the Environmental and Social Review

This operation seeks to support the construction and operation of a 95-room Four Seasons hotel and a 23-unit residential complex (the "Project" or "Four Seasons Tropicalia"), whose promoter is Inversiones Costa Elocuente, S.A. ("ICE" or the "Company"). This initiative is located in the municipality of Miches, Dominican Republic, and is sponsored by Cisneros Real Estate, a real estate division of Grupo Cisneros, a media, entertainment, telecommunications and real estate group based in the United States.

The Inter-American Development Bank (IDB) Group has been actively working with Tropicalia for several years. In 2017, an initial Environmental and Social Due Diligence (ESDD) process was carried out, along with an inspection site visit to the Project. However, to update the information of the Project and due to the restrictions derived from the COVID-19 pandemic<sup>1</sup>, the new ESDD process was conducted primarily virtually and included the review, among others, of the following information: (i) environmental management policies, plans, manuals and procedures; (ii) occupational safety and health (OSH) program; (iii) waste management procedures (those hazardous, non-hazardous and special handling); (iv) procedures for monitoring and evaluating environmental conditions (e.g. air emissions, noise and effluents); and (v) emergency preparedness and response plans. This process was complemented by interviews with staff from the areas of sustainability and operations, associated with the Project.

### 2 Environmental and Social Classification, and its Foundations

In accordance with IDB Invest's Environmental and Social Sustainability Policy, the operation has been classified in Category B, as its environmental and social (E&S) and OSH impacts and risks are expected to be, in general, reversible and mitigable with measures available with current technologies. During the construction stage of the Project, impacts and risks include: (i) risks to the health and safety of workers; (ii) generation of pollutant emissions into the atmosphere; (iii) noise and vibration generation; (iv) removal of natural vegetation; (v) soil movement and compaction; (vi) generation of solid waste (hazardous and non-hazardous) and liquid waste (mainly industrial and domestic wastewater); and (vii) use of resources, mainly water (from underground wells) and energy. During the operation and maintenance (O&M) phase, impacts and risks relate to: (i) risks to the health and safety of employees and guests; (ii) generation of solid waste (hazardous and non-hazardous) and liquid (mainly domestic wastewater), (iii) pollutant emissions to atmospheric waste; and (iv) use of resources, mainly water ((initially from underground wells and later through a connection with the municipal aqueduct)) and energy. Most of these impacts and risks are estimated to be of moderate importance.

The location where the Project will be developed is subject to natural hazards such as extreme temperatures, hurricanes, tropical storms, waves, etc. However, all these threats represent a moderate

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<sup>1</sup> COVID-19 is the infectious disease caused by the coronavirus discovered in Wuhan, China in December 2019 (<https://www.who.int/emergencies/diseases/novel-coronavirus-2019>)

to low risk, both for the damage they could cause to the physical infrastructure of the Project, as well as for collaborators and suppliers.

The Project activates the following International Finance Corporation (IFC) 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; PS4, Community health, safety, and security; and PS5, Biodiversity conservation and management of living natural resources.

### 3 Environmental and Social Context

The site of the Project is located in the El Cedro District, within the Municipality of Miches, which historically was an isolated community located in one of the poorest regions of the Dominican Republic. Its main industrial sectors include agriculture, livestock, artisanal fishing, microenterprise services and handicrafts. However, by reducing travel time between Punta Cana and Miches by more than half, due to the completion of Highway 104, development opportunities in the region were significantly improved and the attractiveness for the real estate and tourism development sectors was increased.

The Project is one of several hotel developments proposed for the area<sup>2</sup> that would catalyze the development of a new tourist pole in the Dominican Republic. The area acquired for the Project is around 52.1 hectares, of which only 19 hectares will be developed. Since the constructed area will be approximately 3.5 hectares, the development density will be almost 5 rooms per hectare while that of residential and hotel development will be 9.36 rooms per hectare, with a maximum height of three levels per residential building.

The Four Seasons Tropicalia is a sub-project of a master real estate and tourism development called "Tropicalia Eco-resort" or "Tropicalia", whose promoter is Inversiones La Querencia, S.A. (ILQ). The Project occupies a small footprint relative to the land that makes up Tropicalia, and is located along the coast, north of the Caño Negro River, and will accommodate a hotel, residences, and associated facilities, including but not limited to: a spa, swimming pools, gym, restaurants, bars, kid's club, sports and event facilities, wastewater and drinking water treatment plant, solid waste management areas, telecommunications systems, water supply wells, and drainage and secondary generation of electricity infrastructure (the main power will be provided by the local generator Consorcio Energético Punta Cana-Macao, SA - CEPM), etc.

The environmental context of the surrounding area of the Project is characterized by infertile and water-scarce karst soils. The project's area of influence is bordered to the East by a proposed RAMSAR<sup>3</sup> protected area (PA) and designated as the *Lagunas Redonda y Limón Wildlife Refuge* (IUCN<sup>4</sup> category IV); and to the North and West with the Atlantic Ocean, whose sea near the coast is part of the *Marine Mammal Sanctuary of Bancos de la Plata and La Navidad* (IUCN category I). A good part of the original vegetation of this area was eliminated decades ago by the establishment of a coconut plantation (*Cocos nucifera*), which today was partially regenerated with native vegetation.

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<sup>2</sup> The hotel chain Club Med opened in November 2019, the hotel "Club Med Miches Playa Esmeralda".

<sup>3</sup> Convention on wetlands Importance International especially as Waterfowl Habitat, signed in the city of Ramsar (Iran) in 1971. Hence the name.

<sup>4</sup> International Union for Conservation of Nature (<https://www.iucn.org/es>).

The Company has designed a sustainable real estate project and carried out a management aligned with the principles of sustainable tourism<sup>5</sup>. The Project is positioned to acquire the certification of sustainable buildings (LEED<sup>6</sup>), as a commitment to responsible real estate development, among other actions.

The Project has an Environmental Impact Assessment Study ("EIA") of Inversiones La Querencia, S.A. (promoter of Tropicalia Eco-Resort) and its respective Environmental License No. 0172-10-RENOVATED of 2021, which is relevant since the Project is within this master plan. However, in compliance with environmental regulations, the Project developed its own Environmental Impact Statement<sup>7</sup> (DIA, for its acronym in Spanish) and obtained its own Environmental Permit in 2016 and renewed it in 2021 (No. 3060-16-RENOVATED). Since obtaining the environmental permit, the Project has been substantially and continuously complying with the Environmental Compliance Reports (ICA, for its acronym in Spanish) that it periodically submits for consideration by the Ministry of Environment and Natural Resources (MIMARENA, for its acronym in Spanish).

During the first quarter of 2020, construction of the Four Seasons hotel began. For this, the main contractor of the works (Bouygues Construcciones República Dominicana - BCRD) and its subcontractors partially mobilized the necessary equipment to start the activities of clearing and cleaning the land and carry out the Tree Transplant Plan. On the same dates, the first meeting with Community stakeholders took place. However, with the start of the Pandemic in March 2020, all construction progress was stopped.

At the end of 2020, modifications were made again in the design of the project to adapt it to the demands of future post-pandemic travelers and owners of second homes. This new design gives priority to the concept of family life, work and recreation in the same environment, and contemplates: (i) the multigenerational use of spaces for prolonged periods, both for hotel guests and for the owners of residences; (ii) the increased demand for reliable connectivity and the ability to work remotely; and (iii) traveler prioritization of good biosecurity measures, social distancing, strategic use of outer space, and guaranteed access to essential services and medical assistance.

## **4 Environmental Risks and Impacts, and Proposed Mitigation and Compensation Measures**

### **4.1 Evaluation and Management of Environmental and Social Risks and Impacts**

#### **4.1.a Environmental and Social Management System**

The Project has an Environmental and Social Management System (ESMS) aligned with the requirements of PS1, as it provides the policies, procedures, and programs necessary to comply with its Sustainability Strategy. The ESMS will enable ongoing constructive relationships with key stakeholders (customers, the community, government, investors, contractors, operators, shareholders, hotel partners and the media); as well as focusing on the management of Contractors, the Hotel Operator, and the Suppliers, to reinforce

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<sup>5</sup> "Tourism that fully considers its current and future economic, social and environmental impacts, addressing the needs of visitors, the tourism industry, the environment and local communities" - *Making Tourism More Sustainable - A Guide for Policy Makers* (Making Tourism More Sustainable, A Guide for Policymakers), UNEP and UNWTO, 2005, pp. 11-12

<sup>6</sup> LEED (acronym for *Leadership in Energy & Environmental Design*) is a sustainable building certification system, developed by the U.S. Green Building Council (*US Green Building Council*).

<sup>7</sup> The Environmental Impact Statement is a lower category environmental assessment tool than the Environmental Impact Assessment (EIA), which is submitted for category B projects (Law No 64-00 – General Law on Environment and Natural Resources).

their commitment and compliance with environmental and social objectives in the design, construction, and operation phases of the Project, respectively.

The Company relies on the ESMS to: (i) ensure that Tropicalia and its suppliers comply with environmental and social performance indicators; (ii) analyze and control potential risks and impacts related to the construction and operation of the Project; and (iii) ensure continuous learning and improvement.

#### 4.1.b Policies

As part of the ESMS, the Project has a Corporate Policy, where it affirms its commitment to sustainability and community development, and declares four key elements for decision-making: (i) protect, restore and conserve the environment; (ii) select partners and suppliers based on shared values; (iii) incorporate rigorous design and development standards and environmentally sound construction techniques; and (iv) support community development and economic inclusion through the Tropicalia Foundation, which carries out educational, environmental, productive and sociocultural advocacy programs in the surrounding community of Miches.

This policy mentions that the Company strives to ensure compliance with legal obligations and commitments, particularly in areas such as human and labor rights, anti-corruption, gender equality, environmental protection and the health and safety of its employees, contractors, customers, visitors, and surrounding communities.

#### 4.1.c Identification of Risks and Impacts

##### 4.1.c.i Direct and indirect impacts and risks

As part of the ESMS, the Project has a Procedure for the Identification of Environmental and Health and Safety (EHS) risks relevant to each activity and phase of the Project, as well as a Matrix of Environmental and Social Risks, where they are prioritized based on their level of risk, frequency, and probability.

To facilitate management, resource allocation and reporting, the matrix also includes a description of the procedures performed to control the impact or risk of the activity.

In response to these impacts, the Company promotes good practices focused on the proper management of waste, the reduction of emissions, the saving of water and energy, and the awareness of its employees and suppliers in the optimization of the use of resources to contribute to minimize the environmental impact and prevent pollution. Additionally, the Company developed the Contractor Management Procedure and the Hotel Operator Management Procedure, which establishes regulatory compliance and the implementation of sustainable practices during each phase of the Project; as well as the mechanisms to evaluate and report the E&S and OSH performance of each.

##### 4.1.c.ii Gender risk

In Latin America there is significant gender inequality, defined as differential and unequal access to employment, educational, economic and political participation opportunities according to sex or gender. This inequality is reinforced by widespread cultural norms regarding acceptable roles for men and women and is exacerbated by weak legal protections or an inadequate social response. This gender inequality

causes gender discrimination, unequal access to public services, educational differences, wage and labor inequality, and lagging rates of political participation. In 2019, the gender gap index for the Dominican Republic (DR) is 0.7<sup>8</sup>, which places it in 21<sup>st</sup> place out of 26 countries in Latin America and means that, on average, <sup>9</sup> Dominican women have 33 percent less opportunity than men in educational achievement, health and survival, economic participation and political empowerment.

Gender-based violence and harassment (GBVH) are also a major problem in Latin America and the Caribbean, which has the highest rate in the world. Although in DR there are laws<sup>10</sup> and institutions<sup>11</sup> that ensure the protection of women. In 2019, the number of femicides in the country was 148 and the femicide rate per 100,000 women was 2.7, ranking fourth for Latin America and the Caribbean<sup>12</sup>. Gender-based violence and harassment have intensified during the COVID-19 pandemic. Calls to the sexual violence hotline increased significantly (by nearly 20%) compared to 2019 rates.<sup>13</sup>

In this sense, due to the type of activity and the industrial turn, together with the fact that the Project is far from the communities, it is estimated that the gender risk is moderate but mitigable through the application of the principles contained in the Corporate Policy of the ESMS and the Selection and Recruitment Procedure of the Company and in the Code of Conduct<sup>14</sup>.

Additionally, in 2020-21, Tropicalia Foundation<sup>15</sup>, in collaboration with the Canada Fund for Local Initiatives, local institutions<sup>16</sup> and its "*Soy Niña y Soy Importante*" (SNSI, for its acronym in Spanish) initiative, launched an awareness campaign on the increase in gender-based violence related to prolonged periods of confinement during the pandemic in the DR, whose content included the identification of manifestations of violence and the telephone numbers of the emergency services to obtain help; the delivery of 1,550 thematic boxes, full of playful and educational materials to 310 girls; and the strengthening of municipal institutions that ensure the protection of children. Since its inception, Tropicalia Foundation has impacted more than 1,700 girls and adolescents in Miches, has generated dozens of multisector alliances to increase the local protection network, and has become a benchmark for gender issues in the Dominican Republic.

#### 4.1.c.iii Exposure to climate change

In general, the infrastructure of the Project is from moderate to highly exposed to physical risks and dangers derived from climate change as follows: (i) according to a global climate model, a high exposure to hurricanes and tsunamis; and (ii) a high exposure to heat waves and droughts in the climate change

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<sup>8</sup> The closer it gets to 1, greater equality and vice versa, the closer it gets to gender inequality.

<sup>9</sup> "[Gender gap index in Latin America 2021](#)", Statista.

<sup>10</sup> Constitution of the Dominican Republic; Act No. 24-97 amending the Criminal Code, the Code of Criminal Procedure and the Code for the Protection of Children and Adolescents; other international treaties ratified by the Dominican Republic.

<sup>11</sup> Ministry of Women; Fundación para el Bienestar de la Mujer Dominicana, Inc.; Human Rights Research Institute of the Dominican Republic (IDH-RD); among others.

<sup>12</sup> "[Number of femicides in Latin America by country 2019](#)", Statesman.

<sup>13</sup> "[COVID-19: rise of gender violence in Latin America](#)", Statesman.

<sup>14</sup> The Code of Conduct is in the process of being reviewed by senior management, its promulgation is expected in the 2nd semester of 2022.

<sup>15</sup> In 2022, Tropicalia Foundation celebrates the tenth anniversary of SNSI, and continues to carry messages of prevention, protection and development of life projects aimed at girls between the ages of 9 and 15.

<sup>16</sup> Including the Ministry of Women, the Ministry of Education, the Ministry of Youth, the United Nations Population Fund (UNFPA), the Attorney General's Office of the Dominican Republic, and the National Council for Children and Adolescents (CONANI).

scenario RCP 8.5<sup>17</sup>. In terms of more chronic hazards, there may also be changes in drought exposure as climate change progresses and the area around the Project also faces moderate to high exposure to sea level rise.

However, it is expected that the risk of exposure to climate change is addressed by the measures proposed in the design of the Project and within the Emergency Preparedness and Response Plan, which is reviewed annually.

#### 4.1.d Management Program

The DIA of the Project includes an Environmental Management and Adaptation Plan (PMAA, for its acronym in Spanish) where the mitigation or compensation measures of each identified impact are established, the entity responsible for its execution, the implementation schedule, and details of the monitoring to be carried out.

Additionally, the ESMS has the Legal and Other Requirements Procedure where the process to be followed to comply is established, these requirements are updated and documented.

#### 4.1.e Organizational Capacity and Competence

The Project has an organizational structure dedicated to E&S and OSH themes. Sustainability within the Project is managed through the Vice Presidency of Sustainability, which oversees the implementation of the ESMS and ensures compliance with the sustainability commitments assumed by the Project, regularly informing stakeholders and executive leadership. This vice-presidency receives support from the Institutional Relations Manager, the Project Manager and the EHS Manager of the Project.

There is also a Tropicalia Sustainability Committee made up of an interdisciplinary team that meets annually to discuss the strategy, report on progress, and define objectives for the following year. The comity plays an advisory role and ensures the financial and human capital needed to implement the Project's sustainability programs.

#### 4.1.f Emergency Preparedness and Response

The Project has an Emergency Preparedness and Response Plan (PPRE, for its acronym in Spanish), in accordance with the Law on Risk Management (Law No. 147-02) and the safety principles of the Occupational Health and Safety Regulations (Decree No. 522-06). Similarly, the ESMS and the PPRE of the Project establish that, both the contractor and its subcontractors, as the operator of the hotel (according to the stage of the Project), are responsible for, on the basis of the PPRE of the Project, developing their own PPRE and train their staff in these issues.

These PPRE's will establish the preventive actions of mitigation and assistance to safeguard the physical integrity of collaborators, visitors, suppliers and people or guests of the Project, according to the stage in which it is applied; contains measures to address the most likely risk scenarios that threaten ownership and continued operation; and establish communication and coordination mechanisms with external

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<sup>17</sup> A Representative Concentration Trajectory (RCP) describes different climate futures, which are considered possible depending on the volume of greenhouse gases ("GEI") issued in the coming years. The RCPs originally RCP 2.6, RCP 4.5, RCP 6 and RCP 8.5 are labeled from a possible range of radiate forcing values in 2100 (2.6, 4.5, 6 and 8.5 W/m<sup>2</sup>, respectively).



support authorities and the community, to handle emergency situations that may materialize in the Project.

Through the Training and Awareness Procedure, the Company will ensure that all employees are aware of the requirements of the PPRE, including it as part of the Induction Program and regularly conducting emergency drills. These drills will be conducted periodically at least once every six months during the life of the Project and at least every 16 weeks during the hurricane period<sup>18</sup>. Contractors and subcontractors will be responsible for conducting their own emergency drills and reporting them periodically to the Project Manager.

#### 4.1.g Monitoring and Evaluation

The Project has a Procedure for Legal and Other Requirements, which establishes the legal and regulatory obligations associated with each stage of the Project and those voluntaries that lead to international certifications or good practices<sup>19</sup>. In addition, it has the Documented Information Control Procedure, which establishes the mechanisms to keep the ESMS documents current.

The ESMS has the Procedure for Monitoring EHS and E&S Performance and its Matrix of Criteria and Performance Indicators, which include a description of the monitoring and measurement program of the activities that have a significant environmental or social impact within each stage of the Project, identified within the EIA, DIA and international best practices. The matrix includes criteria and performance indicators segmented by user group and subject area, to support the measurement and evaluation of the performance of Third Parties and the Company.

The ESMS also includes the Audit Procedure, which contemplates methods, typology (internal or external), scope, frequency, forms of reporting and protocols of corrective actions in response to non-compliance conditions, to determine the overall effectiveness of the ESMS and make specific adjustments to procedures when necessary.

#### 4.1.h Participation of Social Actors

The Company has identified the social actors and key stakeholders associated with its activities and has developed a Relationship Plan with Key Actors, where it describes its active commitment to participation, consultation and meaningful collaboration with individuals, groups, communities and institutions that have an interest in the Project or are likely to be affected by it. Community stakeholder engagement can engage the Tropicalia Foundation<sup>20</sup>, especially when seeking to drive capacity building opportunities for the community.

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<sup>18</sup> The Atlantic hurricane season, including the Caribbean Sea, runs from June to November, regularly.

<sup>19</sup> They include, but are not limited to: LEED certification, UN Global Compact (UNGC), GRI Reports (Global Reporting Initiative) and the UN Sustainable Development Goals (ONE SDG's).

<sup>20</sup> Tropicalia Foundation ("*Fundación Tropicalia*") is a non-profit organization established in 2008, that promotes the socio-economic and environmental development of Miches (<https://www.fundaciontropicalia.com/es/>).

#### 4.1.i External Communication and Grievance Mechanism

##### 4.1.i.i External communications

The Company acknowledges its responsibility to provide truthful, complete, up-to-date and accurate information. As part of the relationship with the community, the Company has implemented (i) a mechanism for dealing with external queries, demands, and complaints; and (ii) a digital platform ([sustainability.tropicalia.com](https://sustainability.tropicalia.com) and [fundaciontropicalia.com](https://fundaciontropicalia.com)) to present information on its environmental and social performance, related to its operations.

##### 4.1.i.ii Grievance mechanism for affected communities

The ESMS has the External Grievance Mechanism Procedure, which analyzes the protocols for capturing, receiving, recognizing and recording, reviewing, investigating, documenting and responding to complaints and grievances of all interested external parties that are considered negatively affected by the Project, focusing specifically on communities, authorities and stakeholders.

The procedure establishes: (i) the steps to be followed to address and resolve doubts, complaints or concerns in a prompt, systematic and respectful manner; (ii) the parties involved in the process; and (iii) the deadlines established for its resolution. This procedure shall be reviewed annually or upon request and shall be based on input from stakeholders and the results of their monitoring and evaluation.

This procedure also requires that any third party contractually involved with the Project, develop and implement, its own mechanism for dealing with external complaints regarding its activities linked to the Project, based on the provisions of the ESMS.

##### 4.1.j Regular reports to affected communities

Tropicalia, through its website<sup>21</sup> and its annual Sustainability Report<sup>22</sup>, provides information on the environmental and social performance of the Company.

## 4.2 Work and Working Conditions

### 4.2.a Working Conditions and Administration of Labor Relations

#### 4.2.a.i Human Resources Policies and Procedures

ESMS Corporate Policy establishes the Project's obligation to comply with legal obligations and commitments in labor, OSH and human rights matters, as well as with the principles of gender equity and anti-corruption.

In addition, the ESMS has the Recruitment and Selection Procedure that contains the rules and conditions related to the selection and hiring of personnel under the principles of: (i) gender equality and non-

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<sup>21</sup> <https://sustainability.tropicalia.com/es/tropicalia-2/>

<sup>22</sup> <https://sustainability.tropicalia.com/wp-content/uploads/2021/11/ReporteTropicalia2020-SPA-finalSM.pdf>



discrimination; (ii) equal opportunities and fair treatment; (iii) freedom of association; (iv) prohibition of employing minors and harassment at work; (v) provision of decent work; (v) with respect to human rights at work; and (vi) availability of internal and external grievance response mechanisms.

All aspects related to work and working conditions are managed by the Human Resources Management ("HR"), an instance that assigns to the different processes, the competent collaborators on the basis of their education, training, work experience and skills defined in the job description and profile. If an employee or employee violates any of these principles, they must abide by corrective or disciplinary measures ranging from a simple reprimand to termination of the employment contract, which are detailed in the Code of Conduct and Internal Labor Regulations<sup>23</sup> (ILR).

#### 4.2.a.ii Working conditions and terms of employment

The Corporate Policy and the Recruitment and Selection Procedure comply with labor and OSH laws in the Dominican Republic<sup>24</sup> and the conventions of the International Labor Organization (ILO). However, the Company, in compliance with the Labor Code of the Dominican Republic, will elaborate an ILR for the Project, where it declares the mandatory provisions for workers and employers, such as: working days and hours, and their breaks; vacations; leave; flexible work schemes to promote collaboration and productivity; wages and benefits; the rights and obligations of the worker and the employer; the conduct and performance and productivity; the rights and obligations of the worker and the employer; the conduct and disciplinary measures; asset security; risk prevention, and workers with disabilities, etc. To reinforce the knowledge of these working conditions, the Company will provide periodic training (minimum 2 times a year) for all employees already working and will include their disclosure during the process of inducing new workers, as appropriate.

#### 4.2.a.iii Labor organizations

The Project complies with local legislation that recognizes the right of workers to form and be part of labor organizations. It also assumes all employer responsibilities arising from such legislation, including the ILO international conventions and treaties relating to the rights of workers to which the Dominican Republic is a signatory (Convention No. 87 on Freedom of Association and Protection of the Right to Organize and Convention No. 98 on the Right to Organize and Collective Bargaining).

#### 4.2.a.iv Non-discrimination and equal opportunities

The Dominican Republic is a signatory to several ILO international conventions and treaties related to workers' rights, including Convention No. 100 on Equal Remuneration and Convention No. 111 on Discrimination (Employment and Occupation). The Project, within the Corporate Policy of the ESMS, the Code of Conduct and the ILR, establishes, as corporate values, respect for individual diversity and equity, equality and impartiality, seeking a positive and inclusive social impact.

In addition, the ESMS establishes a zero-tolerance stance towards attitudes of discrimination, harassment, abuse and harassment at work, and reaffirms the Company's commitment to promoting an environment in which no applicant, employee, provider or service contractor is excluded or discriminated against from

<sup>23</sup> Cisneros's Internal Work Regulation, Dominican Republic.

<sup>24</sup> Labor Code of the Dominican Republic (Law No. 16-92), the Regulations for the Application of the Labor Code (Reg/Release No. 258/93) and the Occupational Health and Safety Regulations (Decree No. 522-06).

a selection process on the basis of race, color, age, gender, gender identity, sexual orientation, marital status, ancestry, ethnic or national origin, religion, disability or medical condition (including COVID-19) and any other discriminatory conditions.

#### 4.2.a.v Grievance Mechanism

The ESMS, includes the Internal Grievance Mechanism Procedure, whose purpose is to define the means and actions to manage employee concerns, complaints, and grievances in a planned, timely and respectful manner, and so that these claims are communicated to Management and addressed expeditiously through a transparent and objective procedure. The mechanism does not prevent access to judicial and administrative processes, and provides the resources to address complaints, coordinate internal resolutions; keep a record and prepare reports.

In accordance with the ESMS guidelines, this mechanism can be accessed by any employee, including those hired by third parties. The mechanism accepts anonymity and provides confidentiality and protection from retaliation for employees who use it. It also enables the monitoring and follow-up of the process, to prevent future recurrences and the management of each claim and resolution, as they are presented.

The Promoter's Human Resources Manager for the Dominican Republic is responsible for the maintenance and implementation of this grievance procedure, in coordination with a human resources team designated for this purpose. This person coordinates with the heads or managers of the department, and the Legal Department, when necessary, to address each complaint properly and in a timely manner.

#### 4.2.b Workforce Protection

The Project, in compliance with the legal labor obligations of the Dominican Republic, respects the rights and obligations of employees and employers, promoting equality and equity in terms of human, civil, political, economic, social, and cultural rights between men and women.

In addition, within the Management Procedures of the Contractor and the Hotel Operator, as well as in the Supply Chain Policy, the responsibilities assigned to both the Project employees and the contractors who supervise contracting procedures are detailed, and the obligation of the contractor and the suppliers to comply with all applicable laws and regulations in the Dominican Republic is established, in order to guarantee transparency and responsibility in its operation, interaction with the community and responsibility with the environment. In addition, the Code of Conduct and ILR have a section dedicated to guiding Employees on the procedures for hiring and managing the contractors under their charge.

#### 4.2.c Health and Safety at Work

For the construction and operation phases of the Project, the Company has a Health and Safety Plan (HSP), which seeks to establish and maintain an effective OSH management system. The Company, however, will strive to implement a structured approach to OSH in order to achieve a consistent high level of performance and achieve, in compliance with local OSH legislation and regulations (Decree No. 522-06 and Resolution No. 04/2007), that both third parties contracted during construction (contractor, subcontractors, construction manager, etc.) as the hotel operator, implement their own HSP, within the framework of the Project's HSP.

In addition, the Company has a Procedure for the Investigation and Reporting of Incidents, which establishes the guidelines for classifying and reporting those A&S and OSH incidents that occur at any stage of the Project.

The Company has adopted a COVID-19 Procedure, adhering to the health regulations and the sectoral protocols in force since the declaration of the state of national health emergency by the National Government of the Dominican Republic<sup>25</sup>. This procedure, which is mandatory for all work teams subscribed to the Project, contains the General Protocol for Labor Reintegration, whose components are: (i) preparation and maintenance of workspaces; (ii) interaction between team members; (iii) management of visitors, contractors, and suppliers; (iv) measures before suspicion of contagion; and (v) special measures to accompany team members.

#### 4.2.d Workers Hired by Third Parties

The Company, within the ESMS Contractor Management Procedure, establishes the obligation of the contractor and its subcontractors, to comply with all legal requirements in labor and OSH matters, applicable for the execution of the Project. This procedure, in addition to verifying that the contractor and its subcontractors comply with the ESMS Corporate Policy and its procedures and the Code of Conduct, allows the Company to: (i) ensure that contractors and subcontractors have an adequate environmental and social management system, compatible with the requirements of the ESMS; (ii) managing and monitoring the performance of those third-party employers; and (iii) ensure that workers hired by third parties have access to the grievance mechanism, either of the contractor or the Project. Likewise, the procedure establishes that the contractor and subcontractors will carry out periodic training on E&S and OHS aspects for their collaborators.

#### 4.2.e Supply Chain

Through its Corporate Policy, the Project promotes respect for human rights in its operations and throughout its value chain. In this regard, the Company ensures compliance with the applicable legal provisions and conventions ratified by the Dominican Republic in labor matters, including those related to child<sup>26</sup> and forced labor<sup>27</sup>. In addition, it requires its suppliers to comply with all labor and OSH laws of the Dominican Republic and requires all employees to be aware of and comply with the Corporate Policy.

Within the Supply Chain Policy, the conditions of regulatory compliance and the implementation of best practices in the acquisition of materials, goods, services, and labor are established, based on the principles of: (i) prohibition of child labor; (ii) decent work; (iii) respect for human rights; (iv) conservation of critical habitats; (v) diversity and inclusion; (vi) environmental protection; (vii) supply from local sources; and (viii) recruitment of local workers.

The Supply Chain Management Procedure and the Supply Chain Performance Monitoring Procedure establish the framework for the selection and monitoring of suppliers' EHS and E&S performance, both at the construction stage and in the operation. By virtue of the above, suppliers are subject to audits every six months during the construction phase and annually during the operation of the Project, paying specific

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<sup>25</sup> March 19, 2020.

<sup>26</sup> ILO Convention No. 138 on the minimum age and Convention No. 182 of the worst forms of child labor.

<sup>27</sup> ILO Convention No. 29 on forced labor and Convention No. 105 on the abolition of forced labor.

attention to those at high risk, including the analysis of their input activities ("upstream") to assess the overall scope of risk.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

The main resources used by the Project are fresh water, electricity, and fuel (diesel for the generators and liquefied petroleum gas -LPG, for the heating system). The freshwater demand for the hotel's operation is estimated at 69,700 gallons per day (gpd) of potable water. Potable water will initially be drawn from five underground wells located within the Project property. However, it is planned to connect the Project to the municipal aqueduct as of 2023<sup>28</sup> and the wells will become secondary or backup sources of water.

Regarding the average demand for electricity during the operation, a consumption of 22,000 to 25,000 kWh/day is estimated, which will be supplied by the Punta Cana Energy Consortium (CEPM, for its acronym in Spanish). Additionally, the Project will have two backup diesel generators with a combined capacity of 3.4 megawatts (MW); which, in case of failures in the network, will be able to provide energy for about 48 hours supplied with two tanks with a capacity of 6,000 gallons of diesel, each.

##### 4.3.a.i Greenhouse Gases

Due to the size of the construction works and the fact that the construction sites and the workshop and material storage yards are close to each other (within a radius of approximately 2 km), it is expected that greenhouse gas emissions (GHG) for the construction stage of the Project are less than 25,000 tons of CO<sub>2</sub> equivalent annually (tCO<sub>2</sub>eq/year).

Similarly, based on the energy demand expected during the operation of the Project, the emission mitigation measures proposed in the DIA, and the practices proposed for the efficient use of energy and fuels with a view to LEED certification, once again GHG emissions are expected to be less than 25,000 tCO<sub>2</sub>eq/year<sup>29</sup>. However, to keep a record of GHG emissions during the operation of the Project, the Company will prepare an Annual Inventory of GHG Emissions of the Project, both direct emissions due to fuel consumption (scope 1), and indirect ones, by electricity consumption (scope 2).

Additionally, the use of renewable energy sources is being explored (for example, the installation of solar panels on the roofs-tops of buildings) to partially supply the energy demands of the Project<sup>30</sup>.

##### 4.3.a.ii Water Consumption

The Project will get its water from five wells located within your property. However, due to the estimated demand (69,700 gpd) and the lack of specific studies on the impacts of these water withdrawals on local ecosystems, including nearby wetlands, the Company will develop a Water Sustainability Study (based on

<sup>28</sup> The Dominican State has initiated a tender for the construction and extension of the municipal aqueduct to the Project area; <https://www.inapa.gob.do/transparencia/index.php/compras-y-contrataciones/licitacion-publica-nacional-e-internacional/category/2239-ampliacion-acueducto-miches-a-zonas-turisticas-municipio-de-miches-provincia-el-seibo-zona-vi-inapa-ccc-lpn-2021-0051>

<sup>29</sup> According to the average energy demand (22 to 25 MWh/day), a generation of 5,700 to 6,500 tCO<sub>2</sub>eq/year is estimated.

<sup>30</sup> The production capacity and projection of consumption is under development.

an assessment of the current and future needs and future water abstraction of the community and the Project, taking into account climate fluctuations and impacts to ecosystem services in the area of influence) to demonstrate that the amount of water needed is sustainable and will not affect local communities or ecosystems. The Study will include: (i) an impact mitigation plan to ensure the sustainability of aquatic and wetland ecosystems; (ii) a monitoring plan for mitigation measures, along with their environmental performance indicators; and (iii) a water efficiency strategy for the entire Project.

Regardless, within the proposals for LEED certification, it is estimated that the Project constantly seeks to optimize the use of resources for its operations, proposing the following comprehensive saving measures: (i) adoption of better technologies to reduce the extraction of wells (for example, rainwater collection systems for different uses); (ii) the reutilization of treated water for different uses (irrigation, grey water for sanitary services, etc.)<sup>31</sup>; (iii) monthly measurement and monitoring of water use in each facility to detect losses or excessive consumption; and (iv) operating procedures that must be activated for any variation in normal water consumption, in order to verify and correct the cause, either by repairing leaks or replacing components.

#### 4.3.a.iii Energy

According to the design of the Project, it is expected that during its operation a total energy consumption rate of between 260 kWh per square meter (kWh/m<sup>2</sup>) and 280 kWh/m<sup>2</sup> of space supplied with electricity will be achieved, that is, a rate similar to the standard for a hotel of medium size with amenities in a tropical climate location.<sup>32</sup>

However, as part of the proposal for LEED certification, the Company is proposing the following actions: (i) the progressive installation of LED<sup>33</sup> luminaires; (ii) the installation and replacement of equipment with energy-efficient equipment; (iii) shutting down unused equipment; (iv) the installation of automatic or semi-automated controls for high-consumption equipment; (v) preventive maintenance of equipment, to increase its performance; (vi) the installation of motion sensors and the shutdown of lighting in common or public areas; (viii) the use of natural light in as many areas as possible; (ix) training employees on energy saving; and (x) the installation of solar panels to supply part or all of the energy consumption of the Project.

#### 4.3.b Pollution Prevention

##### 4.3.b.i Waste

For the control and treatment of liquid effluents, the Project will build a Wastewater Treatment Plant (WWTP) with an approximately capacity of 312,000 liters per day. For this purpose, the Company will hire a qualified professional to certify: (i) that the design and construction of the WWTP complies with local regulations; and (ii) that all equipment and treatment systems were tested following national and international requirements. In addition, the Project will prepare an Effluent Quality Monitoring Report,

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<sup>31</sup> The DIA mentions the construction of a gray water tank of 1 million of liters for your reuse in cleaning activities no human contact or irrigation.

<sup>32</sup> As suggested in the Environmental and Health and Safety Guidelines for tourism and hospitality development of the World Bank (EHS 2007).

<sup>33</sup> LED (for its acronym in English, *Light Emitting Diode*), means Light-Emitting Diode in Spanish or Luminous Diode.

which will present compliance with the results of the PTAR's effluent monitoring with local regulations<sup>34</sup> based on the receiving environment of the discharge<sup>35</sup> and the IFC Guidelines on Environment, Health and Safety for Water and Sanitation.

For the management of solid waste, the Project has a Waste Management Plan (WMP) whose objective is to limit the amount of waste generated, prioritizing its reduction, classification, and recycling, whenever possible. The plan seeks to limit production, and properly segregate, sort, collect, reuse, and dispose of the waste generated by the Project. The plan clearly defines the minimum practices to be employed by the Contractor, its subcontractors, and the hotel operator ("Third Parties") for the responsible management of waste, aligned with LEED requirements. Third parties are expected to prioritize waste reduction measures in their procurement practices and work with suppliers and vendors to this end. In addition, the Project has a policy of not using polyurethane or polystyrene foam or the use of plastics in the preparation or dispensing of food and beverages in their construction and operation phases.

Although the final disposal of waste is the responsibility of each Third Party, none will transport their non-hazardous solid waste (domestic) outside their facilities, as these will be managed by the services of the city council or authorized managers for the purpose, in accordance with the provisions of the General Law of Integral Management and Co-processing of Solid Waste (Law No. 225-20).

#### 4.3.b.ii Hazardous Materials Handling

Due to the type of activity, large quantities of hazardous materials are not expected in any of the development phases of the Project. However, during the maintenance of each service facility and for pest control, depending on the activities, the volume of this type of chemical and hazardous materials can increase significantly.

In this sense, the Project presents, within the Waste Management Plan, actions to identify, control, minimize, provide value, and comprehensively manage the hazardous solid waste generated in each facility. This procedure also contains measures for the collection and temporary storage of each type of hazardous or biological infectious waste (in case of injured persons or medical emergencies). All this waste will be delivered to an authorized external supplier for final disposal.

Likewise, the Third Parties will prepare and adopt a standard for the safe storage of hazardous materials that complies with the Regulation for the Management of Hazardous Chemical Substances and Wastes, and that contains a control sheet for each hazardous substance according to its characteristics. Likewise, these actors will not transport their hazardous solid waste outside the facilities but will be handled by authorized managers in accordance with Law No. 225-20.

#### 4.3.b.iii Pesticide Management and Use

The Project has a Comprehensive Pest Management Plan (PMIP, for its acronym in Spanish) that identifies preventive measures to avoid environmental pollution and adverse effects on biodiversity and human health caused by the use of pesticides for pest control. This plan presents an effective and environmentally

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<sup>34</sup> Environmental Standard on Control of Discharges to Surface Waters, Sanitary Sewerage and Coastal Waters. Ministry of Environment and Natural Resources; September 2012.

<sup>35</sup> The DIA mentions that the effluent of the WWTP will be channeled to lagunas and distributed storage inside the property, for later reuse in irrigation activities.



sound approach to pest management based on a combination of common-sense practices and available methods, which enable pest management and control economically and with the least possible risk to people, property, and the environment.

Third Parties shall align their own management plans with the Project's PMIP and hold all their personnel, including suppliers and those contracted by third parties, accountable for their implementation.

#### **4.4 Community Health and Safety**

##### **4.4.a Community Health and Safety**

The Project was designed and will be built and operated by competent, recognized entities with experience in the construction and operation of hotel complexes, which will use the best international best practices recommended for the industry, and will comply with applicable national and international safety guidelines, standards, and codes. However, to handle the increased traffic that the Project will produce, the Company has developed a Road Safety Management Plan that contains measures to manage incremental vehicular flow and minimize the risk of collision and road congestion at the Project site and on surrounding public roads. This plan, which involves both the traffic generated by the Project and that of third parties, will be applied from the junction between Highway 104 and the public roads that lead to the Project site, and on the internal private and access roads. The plan commits the Company, as well as any partner, contractor, or subcontractor it may have, to observe road safety procedures, transport routes and vehicular traffic schedules that have been agreed with the communities and the local authority.

The Company's support for the development of neighboring communities is channeled through the work of the Tropicalia Foundation, which focuses its programs on support for education, the environment, productivity, and socio-cultural support. In the face of the COVID-19 pandemic, the Tropicalia Foundation procured locally and distributed hygiene kits<sup>36</sup> and created awareness campaigns on its social networks on how to prevent the spread of COVID-19, highlighting the best safety practices along with the latest news about the disease from reliable sources.

##### **4.4.a.i Design and security of infrastructure and equipment**

According to the Regulations for Fire Safety and Protection<sup>37</sup>, the design of the Life Safety and Fire Protection Systems (L&FS) of the Project's buildings and facilities must adopt the international standards of the National Fire Protection Association (NFPA) and comply with the Disability Law in the Dominican Republic (Law No. 5-13) and its Regulations (Decree No. 363-16) on design with accessibility.

In this regard, the Company will hire qualified professionals in the area of L&FS to certify: (i) that all facilities and buildings of the Project, whether completed or under construction, were constructed in accordance with approved SVPI designs; (ii) that all equipment was installed according to the L&FS design; and (iii) that all L&FS equipment was tested according to international requirements.

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<sup>36</sup> Los kits included antibacterial soap, masks and COVID-19 information leaflets.

<sup>37</sup> Decree No. 85-11, as amended by Decree No. 364-16) of the Ministry of Public Works and Communications ("MOPC").



#### 4.4.b Security Personnel

The Project has a security and surveillance service provided by a specialized security company. However, the Company will ensure that the applicable service contracts include provisions that allow it to: (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record or have previously been involved in cases of abuse; (ii) verify the details of the necessary training on the use of force; (iii) verify the restrictions and procedures used in the event that personnel carry firearms; and (iv) identify the details of environmental training and social awareness, including the issue of human rights.

#### 4.5 Land Acquisition and Involuntary Resettlement

The Project will be developed on properties owned by the Promoter, previously negotiated and voluntarily acquired from their previous owners, so it does not imply any type of involuntary physical or economic displacement.

#### 4.6 Conservation of Biodiversity and Natural Habitats

##### 4.6.a General

The proximity of the Project to two APs (the Lagunas Redonda and Limón Wildlife Refuge, and the Marine Mammal Sanctuary of Bancos de la Plata and La Navidad) and the extension of the buffer areas of these areas beyond their legal limits, motivated the Company to carry out two environmental studies (the first for the EIA in 2010 and the second for the DIA in 2016) that contain the baseline for the marine and terrestrial, flora and fauna. The DIA stands out with the possible presence of: (i) the hawksbill turtle (*Eretmochelys imbricata*) and the green turtle (*Chelonia mydas*) in critical danger and in danger of extinction, respectively; (ii) the critically endangered elkhorn coral (*Acropora palmata*) and the deerhorn corral (*Acropora cervicornis*) and the endangered rock star coral (*Orbicella annularis*); (iii) three endemic species of flora of low ecological importance (a palm, an ornamental tree and an orchid); (iv) six species of birds in vulnerable condition, eight endemic species of the island, including the Hispaniola sparrowhawk (*Buteo ridgwayi*) that is critically endangered; and (v) a total of sixteen species of reptiles (of which 10 are amphibians) all identified as endemic and with very stable populations in almost the entire territory. Two species are considered vulnerable, and the giant tree frog (*Litoria infrafronata*) and the green tree frog (*Litoria caerulea*), both considered endangered.

##### 4.6.b Protection and Conservation of Biodiversity

###### 4.6.b.i Natural habitats

As the construction of the Project will require the removal of vegetation (including some native and endemic species), the Company developed a Biodiversity Management Plan (BMP) with the objectives of: (i) minimizing the loss of habitats, species and ecosystem services within and around the Project; (ii) develop a framework for the protection of biodiversity; and (iii) sensitize employees and third parties to the importance of biodiversity. The BMP, in addition to incorporating the requirements on the protection of biodiversity contemplated in the License and the Environmental Permit, establishes as main measures in the reduction of the impact: (i) the selection of native species and naturalized for the landscape development of the Project; (ii) the development of an Illumination Plan that minimizes the effects on the areas of possible nesting of sea turtles, following the best practices to direct the light of the hotel towards

the beach and the use of light sources of high wavelength, for those that require to remain visible; (iii) the recovery of the coastal area of the Project, through the restoration of native vegetation and the removal of non-native trees from the dunes (when feasible), since the latter inhibit the natural formation of the dune and reduces the suitability of the beach for the possible nesting of sea turtles; and (iii) the development of environmental education programs on the care and conservation of corals and permitted recreational water activities.

#### 4.6.b.ii Critical habitats

Due to the possible presence of species with different degrees of vulnerability in the area of influence of the Project, the Company decided to carry out a Critical Habitats Assessment (Hardener & Gullison, August 2018), with the aim of: (i) evaluate whether the Project would be located within any critical habitat; and (ii) provide recommendations to mitigate and manage biodiversity values that occur within the Project's area of influence. This study concludes that the Project does not occupy critical habitats<sup>38</sup> and that most of the spaces to be occupied by the Project are modified habitats, with some patches of natural habitats.

#### 4.6.b.iii Legally protected and internationally recognized areas

According to the Environmental License and Permit issued by MIMARENA, the Project is not located within any legally protected or internationally recognized area.

However, due to its proximity to the marine mammal sanctuary of Bancos de la Plata and La Navidad, the Company within the PMB establishes that it will only be allowed to carry out non-motorized recreational water activities, such as diving and snorkeling, etc. For other activities, such as whale watching, the Company will refer guests to external operators authorized by the national authorities to carry out these activities, previously evaluated and selected, based on compliance with the safety and sustainability measures required for this activity.

Tropicalia, through its participation in the Association of Miches Hotels and Restaurants, El Seibo (PROMICHES), supports public-private initiatives to establish the necessary infrastructure for the responsible development of the destination – among them the management of solid waste, water, coastal-marine, zoning, among others. In this way, the Project seeks to conserve the environment, its biodiversity and natural habitat through collective action.

#### 4.6.b.iv Invasive alien species

The Project will only use native species for restoration, reforestation, and landscaping within the property. However, as part of the Biodiversity Management Plan, it included a program of control and eradication of invasive alien species present in the Project areas; as well as selective continuous monitoring to maintain the composition of native species within the site.

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<sup>38</sup> The study concluded that, although the Project does not occupy areas with critical habitats, this should not be interpreted as an absence of priority biodiversity values that require conservation actions.

#### 4.6.c Ecosystem Services Management

Due to the location of the Project and the fact that its construction will be carried out mostly in modified habitats, no significant impacts on the ecosystem services of the area are expected.

#### 4.6.d Sustainable Management of Living Natural Resources

##### 4.6.d.i Supply Chain

For the management of natural resources, the Company established, within the Supply Chain Policy, the conditions of regulatory compliance and the implementation of best practices in the acquisition of materials, raw materials, goods, services, and labor, based on the principles of conservation of critical habitats and environmental protection. In addition, through the Supply Chain Management Procedure it was determined that the Project will not support any activity of its suppliers that puts natural or protected habitats at risk and that audits will be carried out every six months during the Construction phase and annually during the operation of the Project, paying special attention to those high-risk suppliers, including the analysis of its *upstream* activities to assess the overall extent of the risk.

Additionally, in the Hotel Operator Management Procedure, the requirement to respect the restriction of seasonal ban restriction or any other type of catch was specifically established in the local purchase of fish and seafood; it even established the need to develop additional guidelines on the procurement of these marine products, if there is a risk that hotel demand will contribute to local overexploitation.

#### 4.7 Indigenous Peoples

There are no indigenous communities in the vicinity of the Project, therefore, no impact on the lands or resources of indigenous peoples is foreseen.

#### 4.8 Cultural heritage

As the site of implantation is a highly intervened area and that, during the previous tasks of archaeological prospection, no type of archaeological or cultural vestiges were found, it is estimated that the Project will not generate any impact on the cultural heritage.

### 5 Local Access to Project Documentation

The Project offers additional information on sustainability on its website: <https://tropicalia.com/> and <https://sustainability.tropicalia.com/es/tropicalia-2/>