

Environmental and Social Review Summary (ESRS) BAITALI GROUP – SURINAME

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

Aannemingsmaatschappij Baitali N.V. ("AMB" or the "Company"), a company organized under the laws of Suriname, and its shareholder Verenigde Bedrijven Baitali N.V. (the "Baitali Group" or the "Sponsors") are seeking a committed working capital facility to be used for the purchase of equipment and other expenditures related to the construction of the Jenny-Henar Road Rehabilitation Project (the "Project") pursuant to a construction contract between the Company and the Ministry of Public Works of Suriname.

The Project, which involves the rehabilitation of a 119 km section of the East West Connection Road, is part of Suriname's National Development Plan 2017-2021 to integrate the country into the region. The Project is specifically related to Interconnection 4, which connects the following cities, from west to east: i) Georgetown, Guyana; ii) Nickerie, Suriname; iii) Paramaribo, Suriname; iv) Cayenne, French Guiana; and v) Amapá, Brazil. The Project will take place in two phases, and AMB is currently conducting work under Phase 1. The existing road has two lanes (which will be maintained) and the rehabilitation works will involve: i) the widening of its pavement from 6 m to 7.4 m, except in residential areas; ii) the re-pavement of the whole stretch; iii) the rehabilitation of shoulders and drainage structures (i.e., culverts); iv) vertical and horizontal signage; and v) the construction of sidewalks in some residential areas. All work will take place within the road's existing right of way.

2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according to IDB Invest's Environmental and Social Sustainability Policy, since it will likely generate, among others, the following impacts: i) air emissions; ii) water and fuel consumption; iii) waste; iv) occupational health and safety impacts; and v) community health and safety impacts (i.e., traffic). These impacts are deemed to be of medium intensity and are generally limited to the Project site, are largely reversible, and can be mitigated via measures that are readily available and feasible to implement in the context of the operation.

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

Since no land will be acquired as part of the Project (and therefore no involuntary resettlement is anticipated), no new areas will be developed that could impact natural habitat or cultural heritage, and no indigenous communities will be affected by the proposed activities, PS5: Land Acquisition

and Involuntary Resettlement, PS6: Biodiversity Conservation, PS7: Indigenous Peoples, and PS8: Cultural Heritage have not been triggered.

3. Environmental and Social Context

3.1 General Characteristics of the Project's Site

The Project begins at the bridge over the Coppename River in Jenny and ends at the bridge over the Nickerie River in Henar. The Project has been divided into the following sections: i) Section 1, from Jenny to Ingikondre (37 km); ii) Section 2, from Ingikondre to Burnside (21 km); iii) Section 3, from Burnside to Kaaimanpolder (30 km); iv) Section 4, from Kaaimanpolder to Wagening (10 km); and v) Section 5, from Wagening to Henar. Sections 1 through 3 lay on soils characterized by sand substrate, while Sections 4 and 5 lay on clay. Section 1 passes through non-residential areas, while Section 2 crosses some populated areas, including the town of Totness. Section 3 passes through non-residential areas and is characterized by freshwater swamp to the south and brackish wetlands to the north. Sections 4 and 5 pass through agricultural fields, mostly rice plantations.

3.2 Contextual Risks

The Project is not located in an area of non-state violence, and the most recent state-based violence was in 1990 (4 deaths in Paramaribo).² The homicide rate in Suriname has fluctuated from 5.16 to 9.38 per 100,000 inhabitants from 2013 to 2020³, which is below average for Latin America and the Caribbean.⁴ There have been no terrorist attacks within the country since 1997.⁵ Guyana ranks above average (58.96 out of 100 in 2020) in political stability and the absence of violence/terrorism⁶.

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

4.1 Assessment and Management of Environmental and Social Risks

4.1.a E&S Assessment and Management System

AMB has an ISO 45001⁷ certified management system. However, it will adopt an Environmental and Social Management System ("ESMS") and develop a manual to describe the Company's approach to managing environmental and social risks and impacts.

¹ Totness is the capital of the Coronie district and is its the oldest settlement.

UCDP - Uppsala Conflict Data Program (uu.se).

³ Homicide rate in Suriname 2020 | Statista.

⁴ Latin America & the Caribbean: homicide rates 2020, by country | Statista.

⁵ GTD Search Results (umd.edu).

⁶ WGI 2021 Interactive > Home (worldbank.org).

ISO 45001 is a certification granted by the International Organization for Standardization ("ISO") for the Occupational Health and Safety Systems that meet its standards.

4.1.b Policy

The Baitali Group has a Health, Safety, Environment, and Quality ("HSEQ") Policy that applies to all its companies, including AMB. Nevertheless, the Company will develop and adopt a Project-specific environmental and social policy as part of its ESMS, which will reaffirm the Project's commitment to comply with international environmental and health and safety standards.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and indirect impacts and risks

Since the Project involves the rehabilitation of an existing road, the government of Suriname did not require a formal Environmental and Social Impact Assessment ("ESIA"). In accordance with its management system, however, AMB conducted a Job Risk Analysis ("JRA") for each task to be undertaken during the Project. These JRAs, along with associated mitigation measures, are incorporated into the Project's Work Method Statements. Although the JRAs and Work Method Statements focus on OHS risks and impacts, they also consider environmental and social risks and impacts.

4.1.c.ii Analysis of alternatives

Since the Project involves the rehabilitation of an existing road, no alternatives analysis was conducted.

4.1.c.iii Cumulative impact analysis

Since the Project involves the rehabilitation of an existing road, no material cumulative impacts are anticipated.

4.1.c.iv Gender risks

There is a significant gender gap, defined as the differential and unequal access to economic, political participation, educational, and occupational opportunities based on sex or gender, in Latin America and the Caribbean. This gap is reinforced by pervasive cultural norms regarding acceptable roles for men and women and is exacerbated by weak legal protections and/or inadequate social response. The gender gap leads to gender discrimination, unequal access to public services, educational differentials, pay and labor gaps, and lagging political participation rates. The gender gap index for Suriname is tied for 9th out of 26 countries in the region at 0.74.8 Globally, Suriname ranks 51st in gender gap and 105th in gender inequality.9

Gender-based violence and harassment ("GBVH") is also a significant problem in Latin America and the Caribbean, which has the highest rate in the world. Brazil, Mexico, Argentina, Peru, El Salvador,

⁸ Gender gap index in Latin America 2021 | Statista.

⁹ Suriname (unwomen.org).

and Bolivia represent 81% of global cases. Twelve women are murdered a day in the region. ¹⁰ However, official national statistics on violence against women in Suriname are not available. ¹¹

4.1.c.v Climate change exposure

The Project has a moderate to high exposure to acute water-related hazards such as flooding and drought; a moderate exposure to tsunamis, indicating the possibility of a tsunami run-up of up of 2 m high; a moderate to high exposure to chronic temperature and water-related hazards such as heatwaves, projected under both optimistic and pessimistic climate scenarios, water supply, and changes between plus or minus 25% and 50% of precipitation patterns; and a moderate to high exposure to increases in sea level given the elevation of the terrain. Flooding risks will be addressed through the construction of new or the rehabilitation of old culverts that will improve water drainage into the ocean to the north of the road.

Transition risks related to road improvement projects are considered low. Under ambitious decarbonization scenarios supported by transformative mobility legislation, road projects face some stranded asset risk. However, this is primarily the case for projects located within metropolitan areas. In addition, road improvements are on the universally aligned list of the joint Multilateral Development Bank ("MDB") Framework for projects aligned with the mitigation goals of the Paris Agreement.

4.1.d Management Programs

AMB has developed and is implementing a Health, Safety, Environment & Community ("HSEC") Plan for the Project, which includes the following subplans: i) Safety Plan; ii) Health Plan; iii) Environmental Plan; and iv) Community Plan. Attachments include an Emergency Response Plan, a Waste Streams and Waste Handling Plan, and a Traffic Management Plan.

4.1.e Organizational Capacity and Competency

The Baitali Group's Health, Safety, Environment & Quality ("HSEQ") team is led by an HSEQ Manager and an Assistant HSEQ Manager. Other team members that report to them include a Corporate Quality Manager, an HSEQ Document Controller, a Compliance Officer, and an HSEQ Trainer. Each Baitali company, including AMB, has an HSEQ Supervisor that reports to the corporate HSEQ team. In addition, the Project has an HSEQ Supervisor and an HSEQ Officer. The latter's responsibilities include communicating with local communities (i.e., community relations).

4.1.f Emergency Preparedness and Response

The Baitali Group has an Emergency Response Plan ("Ontruimingsplan" or "ERP") that is specific to the group's facility in Paramaribo, which includes the plant that is producing the asphalt for the Project. The plan includes an assessment of potential emergencies that could occur at the facility and require an evacuation, namely: i) fire; ii) flooding; iii) storm damage; iv) gas leakage; v) bomb

Number of femicides in Latin America by country 2019 | Statista.

¹¹ Suriname (unwomen.org).

threat; vi) order from a competent authority (i.e., police, fire department); and vii) other circumstances. It includes information on the facility, its personnel (including those in charge of emergency response and first aid), and emergency equipment (including fire and evacuation alarms); describes procedures for evacuation; and includes maps depicting the location of fire extinguishers, evacuation routes, and assembly points, as well as a guide to emergency signs at the facility.

AMB has also developed and is implementing an Emergency Response Plan for the Project.

4.1.g Monitoring and Review

The Project's compliance with environmental and health and safety regulations is monitored by Suriname's Ministry of Public Works. In addition, AMB will develop an ESMS Manual that will describe the Company's procedures for monitoring and reviewing its environmental and social performance.

4.1.h Stakeholder Engagement

The Baitali Group has conducted stakeholder mapping for the group, identifying and assessing the following internal and external stakeholders: i) staff; ii) management; iii) shareholders; iv) internal suppliers; v) clients (government and multinationals); vi) external suppliers; vii) contractors; viii) competitors; ix) insurance companies; x) government regulators; and xi) communities.

The Baitali Group also has an annual budget for supporting social investment programs (the Baitali Community Fund), the priorities for which are set forth in the Baitali Group's Corporate Social Responsibility Policy. These priorities are linked to the United Nations Sustainable Development Goals ("SDGs") and include: i) the elderly; ii) children's homes; iii) people with disabilities; iv) youth; v) development/human talent; vi) team sports development; vii) the environment; viii) climate; ix) protecting biodiversity; and x) other target groups/topics. The group's recent corporate social responsibility activities include: i) support for the country's Covid-19 vaccination campaign; ii) donation of rice to the Salvation Army; iii) sponsorship of educational institutions; and iv) donations to the Suriname Conservation Foundation to support environmental projects.

The Project's Community Plan identifies the following principal community concerns: i) increased traffic on public roads; ii) emergency transportation; iii) communication needs; iv) technical assistance; and v) public information needs. The plan describes the following activities to address these concerns: i) safe driving practices; ii) support to communities in the case of emergencies; iii) ethical behavior towards communities; and iv) coordination with District Commissioners regarding consultation with communities.

AMB will update the Project's Community Plan to include Project-specific stakeholder identification and mapping and a more detailed description of its stakeholder engagement activities.

4.1.h.i Disclosure of information

AMB and the District Commissioners for the districts through which the road passes (i.e., Nickerie and Coronie) gave presentations to local communities with information on the Project. These meetings are documented in meeting minutes.

4.1.h.ii Informed Consultation and Participation

AMB and the District Commissioners conducted three consultation meetings with local communities during which information was shared on the Project and the feedback of the communities was solicited. In some cases, this feedback was incorporated into the Project design. For example, the Project was originally planned to include a bicycle lane and sidewalk in the residential areas of Section 2, but local communities indicated that they were in favor of the sidewalk and not the bicycle lane to maintain a wider road shoulder. The Project agreed to make this change to the Project design.

4.1.h.iii Indigenous Peoples

The Project is not located near any indigenous communities and is not anticipated to impact any Indigenous Peoples.

4.1.h.iv Private sector responsibilities under government-led stakeholder engagement

The Ministry of Public Works is AMB's client for the Project, and the District Commissioners as the ministry's local representatives are responsible for the Project's stakeholder engagement. AMB has participated in all public consultation meetings for the Project, however, and is generally working in partnership with the District Commissioners on this aspect of the Project.

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External communication

The Project's HSEQ Supervisor has been active in communicating with local communities regarding Project plans (i.e., when works in certain areas will occur) and grievances. Some of these grievances are directly resolved by the HSEQ Supervisor, while others are directed to the respective District Commissioner (e.g., those involving Project design, which AMB does not have the authority to change under their contract with the Ministry of Public Works).

4.1.i.ii Community grievance mechanism

The Baitali Group's website includes a web-based form that the public can utilize to request information or lodge a grievance.

AMB will develop a Community Grievance Mechanism for the Project that will describe the circumstances under which AMB can resolve grievances and those that AMB must refer to the

District Commissioner. This mechanism will describe the procedures for receiving, responding to, and addressing grievances under each scenario.

4.1.i.iii Provisions for addressing vulnerable groups' grievances

The Community Grievance Mechanism to be developed by AMB will include provisions for addressing the grievances of vulnerable groups.

4.1.j Ongoing Reporting to Affected Communities

General information on the Project is posted on the Baitali Group's website¹², Facebook page¹³, and YouTube channel.¹⁴ However, AMB will update its Community Plan to include procedures for periodically reporting to affected communities.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

The Baitali Group has over 600 employees, 47 of which are women, and AMB has approximately 190 employees, 8 of which are women. The number of Project workers will vary by season, with more workers in the dry season and less workers in the wet season, but the average will be approximately 90 workers.

4.2.a.i Human resources policies and procedures

The Baitali Group has a Code of Conduct, which includes its Labor Policy. The policy includes statements on: i) recruitment, payment, and assignment based on qualifications and performance; ii) non-discrimination; iii) equal treatment of men and women; iv) attracting and retaining talent; v) training, education, and promotion; vi) open communication; vii) workplace harassment; viii) safety and security; ix) recognition and rewards; and x) privacy.

The Baitali Group also has an employee handbook, entitled the Company Regulations 2022 (*Bedrijfsreglement 2022*), that covers: i) legal regulations; ii) human resources; iii) performance reviews; iv) general rules and information; v) payment of salaries; vi) wage accrual (including expense reimbursement and work supplies); vii) medical benefits; viii) accident insurance; ix) leave and holidays; x) workwear and personal protection equipment ("PPE"); xi) pension benefits; and xii) resignations.

4.2.a.ii Working conditions and terms of employment

General working conditions and terms of employment are described in the Company Regulations 2022. In addition, all employees receive an employment contract that includes a job description and

https://www.baitaligroup.com/en/projects/rehabilitation-road-jenny-henar/.

¹³ https://www.facebook.com/BaitaliGroupOfCompanies/.

¹⁴ https://www.youtube.com/channel/UCdlkPnLCPy2uKqP0U7DSXEg.

describes the worker's terms of employment. Employees are provided with a copy of this employment contract.

4.2.a.iii Workers' organizations

Worker freedom of association is guaranteed by the Constitution of Suriname and, by extension, by the Baitali Group's Company Regulations 2022. Nevertheless, the Baitali Group will update its regulations to make this policy more explicit.

4.2.a.iv Non-discrimination and equal opportunity

The Baitali Group's Labor Policy prohibits discrimination on the basis of: i) race; ii) religion; iii) ethnic or national origin; iv) color; v) sex; vi) age; vii) nationality; viii) marital status; ix) sexual orientation; and x) disability. In addition, it states that the group is committed to the equal treatment of men and women. The policy prohibits sexual, physical, verbal, and other forms of workplace harassment.

4.2.a.v Retrenchment

The Baitali Group's Company Regulations 2022 describes the rules that the group must follow to terminate workers, which are aligned with Surinamese labor laws and regulations. However, AMB will utilize its existing workforce to execute the Project and no retrenchment is therefore anticipated.

4.2.a.vi Grievance mechanism

AMB will develop and implement a Worker Grievance Mechanism for the Project.

4.2.b Protecting the Workforce

4.2.b.i Child labor

The Baitali Group's Code of Conduct, which includes its Labor Policy, and the Company Regulations 2022 prohibit the employment of workers under the age of 18.

4.2.b.ii Forced labor

Forced labor is prohibited by the Labor Code (*Arbeidswet*) of Suriname and, by extension, by the Baitali Group's Company Regulations 2022. Nevertheless, the Baitali Group will update its regulations to make this policy more explicit.

4.2.c Occupational Health and Safety

AMB is implementing its ISO 45001 (Occupational Health and Safety) certified management system for the Project. In addition, the Project's HSEC Plan includes a Safety Plan and a Health Plan. The Safety Plan includes sections on: i) operation and maintenance of equipment; ii) emergency

response; iii) risk assessment; iv) Job Risk Analysis ("JRA"); v) hierarchy of safety controls (including use of PPE); vi) cardinal rules; vii) fatigue risk management; and viii) housekeeping. The Health Plan includes sections on sanitary provisions and promotion of a healthy lifestyle.

In accordance with its management system, AMB conducted a JRA for each task to be undertaken as part of the Project. These JRAs, along with associated mitigation measures, are incorporated into the Project's Work Method Statements.

Since its initiation in January 2019 up to May 2022, the Project has had four medical treatment cases, including one lost workday. It currently has 68 full time equivalent ("FTE") employees and has recorded 102 EHS observations, 80 safety meetings, two workplace inspections, and 204 HSE training hours. The Project has a total of 460,118 safe worked man hours, including 84,039 in 2022.

4.2.d Provisions for People with Disabilities

The Baitali Group's Company Regulations 2022 prohibit discrimination based on disabilities. The group's buildings and facilities have provisions for people with disabilities, such as access ramps and toilets for handicapped people.

4.2.e Workers Engaged by Third Parties

Most of the work for the Project will be done by AMB employees. The Company intends to only hire contractors (with which it has worked in the past) for specialized tasks, such as painting road lines and installing signs. These contractors are required to comply with AMB's HSEQ Policy and all the Project's OHS plans and procedures. Contractor compliance is monitored in the field by the Construction Manager.

4.2.f Supply Chain

The Baitali Group has Procurement Policies and Procedures (*Inkoopbeleid en Procedures*) that call for a risk management analysis for every purchase and that require all suppliers to comply with not only local legislation, but also International Finance Reporting Standards ("IFRS") and ISO procedures, including human rights, environmental, employment, health and safety, and anti-corruption regulations and guidelines.

The Baitali Group produces the aggregates needed for its road construction projects, but usually purchases sand and cement from local suppliers and bitumen from the state oil company. It also imports paint, traffic signs, and polymers (to produce its own emulsions) from Europe.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

To prevent theft and allow the monitoring of fuel consumption, the Baitali Group has developed and is implementing a fuel management system that ensures a closed circuit for fuel. Equipment that utilizes too much fuel is identified and serviced to correct the problem, thereby improving fuel

efficiency. Estimated fuel consumption during the Project's construction is of 90,000 liters per month.

4.3.a.i Greenhouse Gases

The Project's only direct greenhouse gas emissions will be from fuel combustion by vehicles and road construction equipment. It is expected these emissions will be less than 25,000 metric tons of CO₂ equivalent per year.

4.3.a.ii Water Consumption

The Project will not involve the consumption of a significant amount of water. The only anticipated uses will be tanker trucks to water dusty roads during the dry season and potable water for human consumption. Industrial water consumption during the Project's construction is estimated to be 15,000 m³ per year and will be mostly pumped from nearby swamps.

4.3.b Pollution Prevention

4.3.b.i Wastes

The Project's Environmental Plan includes procedures for spills and the handling and disposal of waste. It includes a more detailed Waste Stream and Waste Handling Plan as an attachment. Waste to be produced by the Project can be classified into the following types: i) industrial (hydraulic and asphalt concrete residues); ii) mechanical (pieces that have been replaced in vehicles and machinery); and iii) domestic (produced in camps and lodging facilities). Of these, industrial and mechanical waste can be considered hazardous.

4.3.b.ii Hazardous Materials Management

The Baitali Group will develop a Hazardous Materials Management Plan that describes the Company's procedures for the safe handling, storage, and final disposition of hazardous materials.

4.3.b.iii Pesticide Use and Management

The Project will not involve the use of pesticides.

4.4 Community Health, Safety, and Security

4.4.a Community Health and Safety

AMB has developed and is implementing a Traffic Management Plan for the Project. Traffic-related mitigation measures are also included in several of the Project's Work Method Statements.

4.4.a.i Infrastructure and equipment design and safety

The Project involves the widening of the road's pavement from 6 m to 7.4 m to comply with Surinamese safety regulations regarding two lane highways and is designed for an 80 km per hour speed limit. To mitigate community health and safety (i.e., traffic) impacts, however, this speed limit will be reduced to 50 km per hour in the residential areas of Section 2 (including in Totness). Sidewalks will also be constructed in these areas to improve pedestrian safety. The Project will also include vertical and horizontal signage, including those related to road safety (e.g., speed limits, the location of pedestrian crossings).

4.4.a.ii Hazardous materials management and safety

The Baitali Group will develop a Hazardous Materials Management Plan that will describe the Company's procedures for the safe handling and storage of hazardous materials.

4.4.a.iii Ecosystem services

The only ecosystem service that might be impacted by the Project is agriculture in some fields to the south of some sections of the road due to the improvement of the road's overall drainage. In some stretches of the road, particularly in Section 3, there are freshwater swamps to the south of the alignment and brackish wetlands to the north. Several local farmers in these areas have expressed concerns that the new drainage scheme to be implemented could result in the incursion of the brackish water to the south, into their agricultural fields, thereby negatively impacting their crops. To address this concern, the Project has hired a third party to conduct a comprehensive hydrological study of the region and to recommend measures to avoid this potential problem.

4.4.a.iv Community exposure to disease

All Project workers are from Paramaribo, Nickerie, or other local communities. As a result, no community exposure to disease impacts is anticipated.

4.4.a.v Emergency preparedness and response

AMB will update the Project's Emergency Response Plan to include procedures for providing affected communities with information about the plan.

4.4.b Security Personnel

The Baitali Group uses a third-party to provide security personnel for their facilities. The security guards are unarmed and only have a gate keeping function. The procedure for addressing any security incident is for the security guard to call the local police. All security personnel need a police clearance to be hired. These requirements are described in the group's contract with the security company. Nevertheless, the Baitali Group will develop a Security Management Plan to include procedures for the vetting of security personnel, the use of force, and human rights training.

The Project will not involve any security personnel (i.e., there will be no security personnel working along the road during its construction or operation).

4.5 Land Acquisition and Involuntary Resettlement

The Project will not involve any land acquisition or involuntary resettlement. AMB is leasing the land needed to construct its industrial and camp areas from a landowner who had recently leased the same property to another project to use for the same purpose. All other Project work will take place within the existing public road right of way.

4.6 Biodiversity Conservation and Natural Habitats

All Project work will take place within the existing road right of way, all of which is modified habitat. The Project is therefore not anticipated to impact any natural or critical habitat. The right of way does not traverse, and the Project will therefore not impact, any legally protected or internationally recognized areas.

Since some areas of the road divide freshwater swamp to the south from brackish wetlands to the north, the Project has hired a third party to conduct a comprehensive hydrological study of the region and to recommend measures to address any unwanted impacts. The Project is anticipated to have a positive ecological impact in the areas it crosses by restoring the natural drainage of the freshwater swamps to the south into the brackish wetlands and then the ocean to the north.

4.7 Indigenous Peoples

The Project is not located near any indigenous communities and is not anticipated to impact any Indigenous Peoples.

4.8 Cultural Heritage

All Project work will take place within the existing road right of way. As a result, no cultural heritage impacts are anticipated.

5. Local Access of Project Documentation

Information on the Project can be accessed at the following website: https://www.baitaligroup.com/en/projects/rehabilitation-road-jenny-henar/.