

1. Overview of the transaction

Since arriving in Panama, Naturgy Panama has focused on executing projects and investments to boost the development of the power sector and underpin the country's rapid growth over the last few years. As part of its corporate social responsibility strategy, Naturgy Panamá has worked closely with communities, focusing on two main pillars: access to high-quality education and protection of the environment.

Practically speaking, the Transaction constitutes a facility that will enable the Companies to absorb the deferment of payments by end-users affected by the economic crisis resulting from the global coronavirus (Covid-19) pandemic. The proceeds from the Transaction will be used solely to cover cash flow deficits to maintain the flow of payments within the power sector.

2. Scope of IDB Invest Environmental and Social Review

The environmental and social analysis of the proposed transaction consisted of the documentary review of the Company's environmental and social track record over time, with emphasis on compliance with the following Performance Standards (PS): PS1: Assessment and management of environmental and social risks and impacts; PS2: Workplace and labor conditions; PS3: Resource efficiency and pollution prevention; and ND4: Community health, safety, and security.

3. Environmental and Social Categorization and Rationale

Pursuant to IDB Invest's Environmental and Social Sustainability Policy, the Transaction has been classified as Category C, as the incremental impacts produced are essentially negligible and the proceeds from the transaction will not be used to make any capital investments but rather will simply provide liquidity to the Companies as long as the economic restrictions resulting from the Covid-19 pandemic persist.

4. Environmental and social risks

4.1 Assessment and Management of Environmental and Social Risks and Impacts

All the Companies have a current Environmental Impact Studies ("EIS") Approval Resolution (equivalent to an environmental permit), issued either by the former National Environmental Authority of Panama ("ANAM") or by the current Ministry of the Environment ("MiAmbiente"). The approved environmental impact studies include plans, programs, and actions to prevent, mitigate, and provide compensation for the relevant environmental and social risks. These actions to prevent, mitigate, or provide compensation are being carried out via the robust environmental and social management system that the Companies have been using in recent years.

The environmental verification review has concluded that the Companies have been substantially and consistently complying with the requirements of their respective Resolutions of Approval.

4.2 Labor and working conditions

The Client has a solid human resources policy, the principles of which are as follows: (i) prevent discriminatory practices or practices that impact the dignity of persons; (ii) eradicate the use of child labor; (iii) facilitate freedom of association and collective bargaining; (iv) protect the health of persons; (v) provide work with dignity; (vi) engagement with individuals working for suppliers, contractors, and collaborator companies; (vii) publicly support and promote respect for human rights; (viii) respect indigenous communities and traditional ways of life; (ix) protect establishments and individuals by respecting human rights; and (x) contribute to fighting corruption.

Labor issues are very well regulated in Panama through the Labor Code and other related laws as regards work hours, remuneration, vacation, workplace compensation, workplace arrangements, etc.

Additionally, Panama is a signatory and has ratified several conventions of the International Labor Organization (ILO), including 29 on Forced Labor; 87 on Freedom of Association and the Right to Organise; 98 on the Right to Organise and Collective Bargaining; 100 on Equal Remuneration; 105 on the Abolition of Forced Labour; 111 on Discrimination (Employment and Occupation); 138 on Minimum Age; and 182 on the Worst Forms of Child Labour. Current Panamanian labor law, independent of the applicable contractual regime, recognizes the following labor rights: (i) to nondiscrimination; (ii) to remuneration for the work provided; (iii) to holidays, vacations, leave, overtime or bonuses, and other benefits; (iv) to workdays that are not exploitative; (v) to freedom of association and collective bargaining; (vi) to occupational health and safety; (vii) to social security; (viii) to being treated with dignity; and (ix) to maternity and nursing, among other things.

The Companies must comply with the Panamanian State's regulations on labor and workplace conditions.

4.3 Resource efficiency and pollution prevention

Because the Transaction is a commercial one to provide liquidity, it will not produce pollution or require the use of natural resources.

4.4 Community health, safety, and security

The Companies have the corresponding plans in place for preventing and responding to emergencies, and they have been approved under their EIS Approval Resolutions. A review found that to date, no situations have arisen that could endanger the health or safety of the population.

5. Proposed management measures

The reports that the Companies send regularly to MiAmbiente indicate that the management measures set forth in the approved plans and programs described in the EISs are being executed as expected.

6. Environmental and Social Action Plan

In view of the characteristics of the operation, no Environmental and Social Action Plan (ESAP) is needed.

Additional Information

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