

Environmental and Social Review Summary (ESRS) La Quince - PANAMA

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

Conservatorio, S.A. ("Conservatorio" or "the Company") is a real estate development company that is developing the La Quince Project ("La Quince" or "the Project") in the historic neighborhood of Santa Ana through its subsidiary La Quince, S. de R.L., a special purpose vehicle (SPV) incorporated for such purpose. The Project site is located within the Historic Monumental Complex of the Historic Center of Panama City (CMH Casco Antiguo, in Spanish), recognized as a World Heritage Site by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The Project consists of the reconstruction and rehabilitation of five buildings between Calle B, Calle C and Calle Quince, each with its own characteristics and mixed usage, totaling 145 apartments and 40 commercial premises.

The environmental and social due diligence (ESDD) process included the review of supporting information such as: environmental management policies, plans, manuals, and procedures; human resources policy; occupational health and safety programs; waste management information (both hazardous and non-hazardous waste, or waste requiring special handling); procedures for monitoring and evaluating environmental conditions at work (e.g., air, noise, and effluent emissions); and emergency response plans, among others. This process was complemented by a visit to the Project, where the facilities and surrounding areas of influence were inspected, and meetings were held with both Company and Main Contractor personnel.

2 Environmental and Social Categorization and Rationale

This has been classified as a **Category B** operation under the IDB Invest Environmental and Social Sustainability Policy, given that its environmental and social (E&S) and occupational health and safety (OHS) risks and impacts are generally expected to be reversible and mitigable through available measures and existing technologies.

For those activities related to the Project's construction and expansion, possible risks and impacts include: (i) soil substrate modification due to earthworks or compaction processes; (ii) noise pollution and vibration generation; (iii) hazardous and non-hazardous waste generation; (iv) air emissions, mainly combustion gases from construction machinery and equipment; (v) wastewater generation; (vi) worker health and safety risks; and (vii) possible impacts on the health, safety, and security of the community related to increased traffic and partial road closures.

During operation and maintenance (O&M), the most important risks and impacts are related to: (i) worker health and safety risks; (ii) generation of solid (hazardous and non-hazardous) and liquid waste (mainly domestic wastewater); and (iii) use of resources, mainly energy and drinking water, supplied by public systems.

Due to its location, the Project is subject to natural hazards such as earthquakes, storms, and hurricanes, and social hazards such as vandalism and demonstrations or protests. However, they present a moderate to low risk in terms of both possible damage to the physical infrastructure of the service area, and for residents or visitors.

The Project triggers the following International Finance Corporation (IFC) Performance Standards (PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; PS 4: Community Health, Safety and Security; and PS 8: Cultural Heritage.

3 Environmental and Social Context

The Project will intervene 5 different buildings (La Manzana, Casa Balcones, Casa Patterson, Casa Quijano, and Casa Korsi), all of which are 4 stories high and for mixed use (a commercial first floor followed by residential floors), except for La Manzana, which consists of a commercial first floor, a first and second office floor, and a third residential floor. La Manzana and Casa Balcones are more than 90% complete; Casa Patterson has already been completed and handed over to its buyers for occupancy, and Casa Quijano and Casa Korsi are only 10 to 20% complete.

Unlike most of the Project's buildings, which will mainly be for commercial use on the first floor and residential use on the subsequent floors, La Manzana is a 6,000 m² historic building in the CMH Casco Antiguo that has been restored and refurbished to include a theater, an outdoor public square and a center for cultural, social, and environmental innovation and entrepreneurship, thus generating cultural capital and promoting social and financial inclusion in the Santa Ana neighborhoods.

To execute the works in each Project building, the Company has developed environmental management instruments and obtained the permits required by each competent authority in Panama, such as (i) approval of the Environmental Impact Assessment (EIA) by the Ministry of the Environment; (ii) approval of preliminary and final plans by the National Directorate of Historical Heritage (DNPH, for its acronym in Spanish) of the National Institute of Culture (INAC, for its acronym in Spanish); (iii) construction and occupation permits and authorizations by the Directorate of Works and Constructions (DOYC, for its acronym in Spanish) of the Municipality of Panama; (iv) approval of preliminary projects and certificates of occupation by the Meritorious Fire Department of the Republic of Panama ("Bomberos"); and (v) land use and property release certifications by the Ministry of Housing and Land Management (MIVIOT, for its acronym in Spanish).

Since the Project is located inside and in the buffer area of the CMH Casco Antiguo, the Panamanian Historical Heritage Law requires that it comply with the regulations and guidelines for heritage conservation and qualify to receive the tax incentives corresponding to the refurbishment and enhancement of such historical monument.¹

¹ Law No. 136 of December 31, 2013, which updates the tax regime applicable to the refurbishment and enhancement of the Historic Monuments Group of the Old Quarter of Panama City; and Law No. 53 of July 4, 2017, which modifies and adds articles to Law 136 of 2013, on the Historic Monuments Group of the Old Quarter of Panama City.

Conservatorio, the Project developer and promoter, is a company with 15 years of experience in sustainable urban revitalization, certified by "Certified B Corporations[®]", which measures its environmental, social, and governance performance at the corporate level, based on an evaluation of how its operation and business model impacts its workers, the community, the environment, and its customers. The Company observes the IFC PSs, which it measures using standardized IRIS+^{®2} indicators. It also has its own indicators, which are aligned with the United Nations (UN) Sustainable Development Goals (SDGs).

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

Conservatorio has an Environmental, Social, and Cultural Management System (ESCMS) for Projects, referred to as "System C", which integrates: (i) its Sustainability Policy; (ii) the life safety, health, and emergency response Policies and Plans; (iii) a Management Planning Framework, divided into risk and opportunity management and a methodology for key stakeholder prioritization and engagement; (iv) a Measurement and Evaluation (M&E) System; and (v) an Employee Training Program ("*Conservatorio U*").

System C fulfills the provisions of PS-1. Its implementation, monitoring, follow-up, control and continuous improvement is the responsibility of the Company's Sustainability Department, which, with the support of the General Management, regularly disseminates its content so that it is known at all levels of the organization and by external stakeholders.

4.1.b Policy

Conservatorio has a Sustainability Policy that sets forth collective expectations about how all its employees and processes will work to make its projects environmentally, socially, culturally, and economically sustainable. This policy fulfills the provisions of PS-1, covers the certification by B-Corporation and, as with System C, its implementation, monitoring, follow-up, control, and continuous improvement is the responsibility of the Company's Sustainability Department.

The Company also has an OHS and Environmental Policy that lays down its commitment to preventing environmental pollution, injury and illness among its employees, and to continuously improving its environmental and OHS performance through personnel training, providing resources for the implementation of control measures, and evaluating their effectiveness.

4.1.c Identification of Risks and Impacts

All the environmental management instruments developed by the Company for the Project contain a chapter that characterizes the E&S risks and impacts for each phase of the scope of the works and activities, including the construction, repair, and refurbishment of various structures, commissioning (execution of non-destructive tests, etc.), O&M, and decommissioning and closure of work fronts.

² IRIS+ is a generally accepted system to measure, manage, and optimize impact, administered by the Global Impact Investment Network (GIIN).

Nevertheless, Conservatorio will update the works construction contract (the “Construction Contract”) so that, prior to the execution of the works, its contractors will update the E&S risk profile of the works they are responsible for and generate: (i) a social report to be submitted 15 days prior to the start of each work, identifying the institutions and social organizations present, the risks inherent in each role, the detail of the risk and mitigation actions; and (ii) a “social traffic light” to be updated weekly, which will detail the social risk levels of the works, identifying the existence of significant risk events or a given crisis.

4.1.d Management Programs

The System C Sustainability Policy provides guidelines for managing E&S aspects of the Project at all stages (construction, O&M, and close-out) and describes tools for monitoring and measuring these aspects. In addition, this system establishes a mitigation hierarchy to avoid, minimize, compensate, or disperse any negative impacts, and to improve, stimulate, support, and subsidize the positive ones.

For the Project's E&S management, the Company prioritizes: (i) the commitments undertaken in the EISs and approval resolutions; (ii) the commitments approved by the competent sector authorities (DNPH, DOYC, Bomberos, etc.); (iii) the Company's own commitments; (iv) good E&S practices; and (v) legal compliance with the applicable environmental, social and OHS regulations in force. In this sense, each Project EIA includes an Environmental Management Plan (“EMP”) that establishes the mitigation or compensation measures for each of the identified impacts, the entity responsible for their execution, the implementation schedule, and the monitoring period.

Furthermore, the Construction Contract establishes that all E&S guidelines to be complied with by the Company must also be followed by the Contractor, its subcontractors, suppliers, and any person working for them, which does not exempt them from complying with Panama's environmental regulations.

4.1.e Organizational Capacity and Competency

Conservatorio has a dedicated E&S and OHS organizational structure that satisfies the requirements of PS-1. As established in System C, the Sustainability Manager (with the support of a Community Liaison Coordinator and an outsourced team of environmental supervisors) is the maximum authority delegated by the General Management to ensure compliance with System C objectives and to report the process performance results.

The Company also has a team responsible for OHS and Development, consisting of a Director of Development and a Conceptual Development Lead, who promote health and safety in the workplace and advise and monitor compliance with national regulations and corporate instruments.

4.1.f Emergency Preparedness and Response

To better align with PS-2 and comply with the safety principles of Panama's civil protection regulations (Executive Decree No. 177 of 2008)³, Conservatorio will adopt a policy requiring each building or facility

³ Executive Decree No. 177 of April 30, 2008, which regulates Law No. 7 of February 11, 2005

to have an Emergency Response Plan⁴ (ERP). This policy will also include a set of specific procedures to coordinate, warn, mobilize, and respond to the occurrence or imminent occurrence of sudden events such as (i) natural hazards (earthquakes, hurricanes, tropical storms, floods, land subsidence, etc.); (ii) human conflicts (vandalism, demonstrations, or civil unrest); and (iii) technological hazards (fires, explosions, fuel leaks, hazardous product spills, and worker and supplier accidents).

The specific ERPs will focus on the following aspects: (i) emergency response procedures; (ii) qualified emergency response teams; (iii) emergency contacts, communication systems, and protocols; (iv) procedures for interaction with local and regional authorities on health and emergency resolution; (v) permanent emergency response facilities and equipment (e.g. first aid stations, fire hoses, fire extinguishers, sprinkler systems); (vi) protocols for fire trucks, ambulances, and other emergency services and vehicles; (vii) evacuation routes and meeting points; (viii) training exercises, (drills and exercises) involving Conservatorio personnel and other social stakeholders and affected parties.

Furthermore, each ERP will contain an annual training program and a root cause analysis procedure for serious accidents or fatalities, as well as a description of the corrective actions required to minimize the risk of reoccurrence. Annual training programs are designed to strengthen effective emergency response and will include courses on issues such as: (i) first aid (basic life support, bleeding, shock, wounds and burns, fractures, transportation of the injured, etc.); (ii) firefighting and prevention (firefighter safety, hose bending, fire extinguisher handling, etc.); and (iii) search and rescue, among others.

Conservatorio will prepare and adopt a specific crisis management policy that will set out governance standards to ensure an appropriate response to events that endanger or affect its assets.

4.1.g Monitoring and Review

To monitor and evaluate the E&S and OHS performance of the Project, Conservatorio, in addition to its contractual commitments with its Contractors whereby the progress of the works and any E&S and OHS incidents of the Project are periodically reported, has hired an Independent Supervisor or Inspector to prepare the EMP Quarterly Monitoring Report, which contains all the information required to notify the competent sector authorities of compliance with its commitments and applicable environmental regulations.

Nevertheless, in order to fulfill the provisions of PS-1, Conservatorio will prepare, either through an internal audit or through an external independent E&S expert (external audit), a consolidated annual report on the compliance status with all E&S and OHS policies applicable to the Project, including the progress of System C actions with regard to the defined key performance indicators (KPIs) as well as the compliance status with the IDB Invest E&S Sustainability Policy.

4.1.h Stakeholder Engagement

Conservatorio and its contractors, in keeping with the System C guidelines, are governed by directives that allow them to strengthen their relationships and contribute to the development of the communities.

⁴ For the new buildings (Casa Korsi and Casa Quijano), the ERP will cover the pre-construction, construction, and O&M phases. For the buildings currently in operation or already constructed and about to begin their occupation (La Manzana, Casa Balcones, and Casa Patterson), the focus will be exclusively on the O&M phase.

The Company, as part of System C, has developed a Community Leadership Development Program ("LiderazCo") which helps establish trust and a shared vision among community members, business owners, government officials, and NGO workers to implement any action plan that successfully addresses the needs of the community. As part of this initiative, the Company has conducted surveys focused on the use of public spaces and the problem of garbage in the area, with the intention of identifying intervention sites, corrective measures, and coordination with the players responsible for public services.

The Company has an updated stakeholder and alliance map, which identifies the main work issues with each group, including: regulatory compliance, open communication before, during and after the works, risk information, emergency communication media, community improvement works or projects, etc.

4.1.i External Communication and Grievance Mechanisms

As part of System C, Conservatorio carries out external communication activities aimed at stakeholders, for the purpose of communicating, educating and informing the population about the Project and raising awareness about urban sustainability.

The company has two communication channels: (i) face-to-face, in which its personnel physically move to the site to participate in formal meetings in the Community Room; and (ii) virtual, which are carried out through its website and social networks. The type of contact typified in communications with Conservatorio are inquiries, requests, reports, complaints, etc. These are generally received through the Project Managers or the Community Liaison Coordinator.

In addition, at the construction site level, the Contractors, with the support of Conservatorio, hold a "kick-off meeting" prior to starting their construction activities with the leaders of the areas surrounding the construction sites to explain the activities to be carried out and their duration.

For grievances from communities, employees, and other key stakeholders, Conservatorio has a grievance mechanism that allows all of them to submit their complaints, grievances, or inquiries for response. This mechanism is intended to prevent, detect, investigate, remedy and, if applicable, punish any act of fraud or corruption, illegal act or misconduct that is unethical, illegal, or detrimental to the Company. Depending on the person presenting the grievance and the classification of the latter, these are attended to by the Project Managers, the Community Liaison Coordinator, or the Psychologist.

All reports, grievances, or inquiries can be reported anonymously. If this is not the case, the Company guarantees the protection of the person's identity and the confidentiality of the information, thereby preventing any form of retaliation. The means available to report grievances, claims, or inquiries are (i) in person, through the Community Liaison Coordinator or the Psychologist, or at public events held in the "Community Room" on a regular basis; and (ii) by technological means, using the Company's website, the dedicated telephone line, or the WhatsApp application. Once the grievance, claim, or inquiry has been entered and validated, it is analyzed to understand its nature, magnitude, and scope, and then the case is resolved and the result reported to those involved. This result is channeled through the means originally used to make the complaint. However, if received anonymously, the solution is publicly disclosed as an opportunity for improvement.

In cases of undesired events due to social conflicts that affect the image of the company, Conservatorio will develop, as part of the Crisis Management Policy, a Crisis Communications Manual, which will specify the guidelines for addressing the emergency, from its origin until the crisis is declared to be over.

Conservatorio, through its Social Stakeholder Management Plan, will provide reports on the Company's performance to the communities and to those who request it.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

It is estimated that La Quince will generate a total of 361 new jobs and 601 indirect jobs, of which 10% will be held by women. Additionally, Conservatorio has five women in management and supervisory positions and two women on its Board of Directors.

4.2.a.i Human Resources Policies and Procedures

Conservatorio has an Employee Handbook, approved in August 2016, which defines the Code of Business Conduct and Ethics and sets out: (i) the corporate values of transparency, respect, integrity, and equality; (ii) working conditions; (iii) how to act with stakeholders; (iv) how to proceed in situations of conflict of interest; (v) information management and fraud prevention; and (vi) as part of the "open door" policy, the processes for consultation, fraud reporting, and ethical dilemmas.

Conservatorio's Contractors and Subcontractors are furthermore governed by the Collective Work Agreement (the "Collective Agreement") entered into by the Panamanian Construction Board (CAPAC) and the National Union of Construction Industry Workers (SUNTRAC), which contains the rules and conditions related to personnel recruitment and hiring; working days, hours, and breaks; paid annual leave; paid and unpaid leaves of absence; wages and benefits; employer and employee rights and duties; conduct expected of employees and disciplinary measures; asset security; risk prevention; and workers with disabilities, among other aspects.

4.2.a.ii Working Conditions and Terms of Employment

The Employee Manual and Collective Agreement adhere to Panama's⁵ Labor Code and to the conventions of the International Labor Organization (ILO), providing for the principles of gender equality and non-discrimination, equal opportunity, the prohibition of child labor, fair treatment, prohibition of workplace harassment and penalties for sexual harassment, a contract with suitable working conditions and terms of employment, and notice of dismissal and severance pay. All personnel working in the Company, depending on their type of contract, undergo training on the Employee Handbook or the Collective Agreement as part of the induction process.

4.2.a.iii Workers' Organizations

Conservatorio complies with labor laws that provide for freedom of association and ILO international conventions and treaties related to workers' rights, including Convention No. 87 concerning Freedom of

⁵ Cabinet Decree No. 252, Labor Code (December 30, 1971) and amendments to Law No. 44 of August 12, 1995.

Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining. The Casa Balcones, Casa Korsi, and Casa Quijano projects are currently unionized under the Collective Bargaining Agreement. The Company maintains contact with the Union's requirements through monthly meetings and regular coordination.

4.2.a.iv Non-discrimination and Equal Opportunity

Panama is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 100 concerning Equal Remuneration and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation. In its Employee Handbook and Collective Agreement, the Company establishes respect for individual diversity and fairness, proceeding with justice, equality, and impartiality, in pursuit of a positive and inclusive social impact.

4.2.a.v Grievance Mechanism

As mentioned earlier, Conservatorio has a grievance mechanism that allows communities, employees, and other key stakeholders to submit complaints, grievances, or consultations for consideration at different stages of each Project. However, this grievance mechanism will be extended to all personnel working on Project sites, including those hired by third parties.

In this regard, Conservatorio will adapt and update its grievance mechanism so that (i) it provides a culturally appropriate and easily accessible system at any time (e.g., an external mailbox or box with printed or digital forms to register the claim, grievance, or inquiry); and (ii) it does not prevent and, rather, provides access to other applicable legal or administrative remedies, justified by the seriousness of the violation, according to local national labor regulations or laws.

4.2.b Protecting the Workforce

Panama is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 138 concerning Minimum Age for Admission to Employment, Convention No. 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, Convention No. 29 concerning Forced or Compulsory Labor, and Convention No. 105 concerning the Abolition of Forced Labor. The country also has extensive labor legislation that regulates, among other aspects, the duration of the workday, working hours, overtime, paid leave, minimum wage, family allowance, legal bonuses, and minimum OHS conditions. Conservatorio fulfills these regulations through its Employee Handbook and enforces them through the Collective Agreement.

4.2.c Occupational Health and Safety

In keeping with Panamanian legislation on Worker Safety, Health, and Hygiene,⁶ Conservatorio has Occupational Health and Safety Studies that have been prepared specifically for each of the Project works, to set the guidelines and parameters with which the Occupational Health and Safety Plan will be

⁶ Executive Decree No. 2 - Regulations on Health, Hygiene and Safety in the Construction Industry (February 15, 2008); Resolution No. 45-588 -2011 -J.D. Social Security Fund - General Regulations on the Prevention of Occupational Risks and Occupational Safety and Hygiene (of February 21, 2011); Law No. 66 - Health Code, Chapter II - Industrial Hygiene; Decree No. 68 - Occupational Risks.

implemented in each phase of the execution of the Project in order to ensure the welfare of all workers and any visitor or client who enters the work site, thus being able to control risky situations that endanger their physical integrity.

In addition, the Company has developed an Occupational Health and Safety Manual that sets out the basic rules for safety in the workplace and environmental protection for all its own personnel and those engaged by third parties (Contractors) working on the Project, as well as for all persons entering the facilities, whether suppliers, supervisors, or visitors. These conditions are reinforced through the Appendix on Safety, Health, and Environment in the Construction Contracts with Contractors.

Due to the COVID-19⁷ pandemic and once the Government of Panama authorized the return to construction activity, the Project's Contractors developed for each work site, in compliance with the health regulations and sectoral protocols in force,⁸ Safety Protocols for the Prevention and Care of the virus. These protocols has the following objectives: (i) to establish guidelines for surveillance, prevention, and control of workers' health during the pandemic; (ii) to establish guidelines for the return and reintegration of workers; and (iii) to ensure the sustainability of the surveillance, prevention, and control measures adopted to prevent the transmission of COVID-19.

4.2.d Workers Engaged by Third Parties

Construction Contracts entered into with contractor companies, in addition to complying with all applicable and current Panamanian laws and regulations, require all hired personnel to comply with immigration laws.

The Company also requires that its suppliers and contractors (i) update their risk identification and assessment matrices, including control measures for COVID-19 and (ii) submit a Preventive Action Protocol, during and after a pandemic, which must be approved and registered by the Ministry of Health (MINSAs).

4.2.e Supply Chain

To serve the supply chain (mainly comprised of construction goods, materials and equipment suppliers), Conservatorio has a methodology that regulates the purchase of material goods and equipment and the contracting of services, and requires its suppliers to comply with applicable safety, occupational health, and environmental requirements.

⁷ 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>)

⁸ Executive Decree No. 78 of March 16, 2020, which sets forth workplace measures to prevent the spread of COVID-19 in the country's companies; Resolution No. 137-2020 of March 16, 2020, which adopts the Protocol for the Preservation of Hygiene and Health in the Workplace to Prevent COVID-19; and Resolution No. 405 of May 11, 2020, which adopts the guidelines for companies' return to normalcy post-COVID-19.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Due to the size of the works to be performed, their design, and the fact that the construction sites and the worksite and material storage yards are located close to one another (within a 5 km radius), it is estimated that for both its construction and O&M stages, the Project will generate less than 25,000 t CO_{2eq}/year of greenhouse gases (GHG). Nevertheless, as a pilot project, the Company has reviewed the design and adopted energy consumption reduction measures at Casa Korsi, which is currently under construction, based on the principles and parameters of the Certificate of Excellence in Design for Greater Efficiency (EDGE).

4.3.a.ii Water Consumption

Water consumption by the Project (construction activities, human consumption by workers, and human consumption by residents and visitors during the O&M phase) is estimated to be low. Drinking water will be supplied through the public distribution system of the National Aqueduct and Sewerage Institute (IDAAN, for its acronym in Spanish), while water for construction activities will be provided, depending on volume, by the public system or through tanker trucks from authorized sources. Regardless, the Company will continuously seek to optimize the use of resources for its operations and avoid water waste as part of the EMP.

4.3.a.iii Energy

As with the water resource, neither the construction phase nor the O&M phase of the Project will generate a significant increase in average energy consumption. This will be provided through the public network and under a service contract with the authorized distributor.

4.3.b Pollution Prevention

4.3.b.i Effluents

For the control of liquid effluents, the Project is connected to the public municipal sewage network under the responsibility of the IDAAN. In observance of Panama's regulations, all wastewater generated will be conducted to a Treatment Plant before final discharge.

4.3.b.ii Solid Waste

Conservatorio has a 3R Policy, which establishes commitments for the reduction, reuse, and recycling of its solid waste. Additionally, as part of the EMP and the EIA Resolutions, each Contractor shall be responsible for the complete management of solid waste, from its generation to its final disposal. After classifying its waste and verifying its suitability for reuse (internal reuse or recycling), each Contractor shall separate and temporarily store waste according to its nature (hazardous and non-hazardous) before proceeding to its proper disposal. Domestic solid waste or non-hazardous waste will be transported by a

duly authorized service provider or by the Municipality's collection service, and transferred to an authorized landfill.

4.3.b.iii Hazardous Materials Management

The Project will not generate large volumes of hazardous waste. However, waste resulting from the maintenance of its facilities (materials contaminated with or empty paint containers, solvents, used oils, etc.) will be classified, handled, temporarily stored, and removed for final disposal, as established in the EMP and the EIA Resolutions.

The Company will not transport its hazardous solid waste outside its facilities. This will be managed by a service provider duly authorized by the Environmental Authority and in compliance with current regulations (Resolution No. 1029)⁹. The final disposal of hazardous solid waste removed from the Company's facilities will be in duly authorized sanitary landfills and in compliance with existing regulations in force (Executive Decree No. 156)¹⁰.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The new Project works, both buildings and ancillary services facilities, will be designed and built by competent and renowned contractors experienced in the construction and operation of this type of works, using international best practices and in keeping with the applicable national and international guidelines, standards, and building codes. In addition, Conservatorio, as part of the construction contracts with its main contractors, has specific clauses to address any type of loss and respond to any damage caused to the property of the State, an individual, or the community, which may arise in the Project's area of influence.

Finally, in the context of response to the COVID-19 pandemic, the Company, through the Main Contractor, has developed guidelines that highlight the importance of implementing biosafety protocols and giving continuity to routine activities, taking into account compliance with the procedures required for this purpose by the competent authorities (MINSA and MITRADEL). These procedures include relaxing certain deadlines and working hours, and maintaining only absolutely necessary personnel on site, among others.

⁹ MINSA Resolution No. 1029 of November 8, 2011, which sets forth the requirements and procedures for obtaining the Sanitary Operating Permit for any economic agent engaged in or wishing to engage in activities related to the classification, bottling, packaging, collection, transportation, temporary storage, treatment, crushing, neutralization, recycling, encapsulation, recovery, reuse, and final disposal of hazardous waste.

¹⁰ Executive Decree No. 156 of May 28, 2004, approving the regulations for safety landfills.

4.4.a.i Infrastructure and Equipment Design and Safety

As per the approvals of each preliminary project by Bomberos, the designs of the life and fire safety (L&FS) systems or facilities of the Project buildings must comply with Resolution No. 725,¹¹ which adopts the international standards of the National Fire Protection Association (NFPA), the laws and regulations, and the international conventions on the rights and equalization of opportunities for persons with disabilities in Panama.¹²

Additionally, Conservatorio will hire qualified L&FS professionals acceptable to IDB Invest to certify: (i) that all Project buildings, whether occupied (Patterson House) or under construction (La Manzana, Casa Balcones, Casa Korsi, and Casa Quijano) have been built in accordance with approved L&FS designs; (ii) that all equipment was installed in accordance with the L&FFS design; and (iii) that all L&FS equipment was tested in accordance with international requirements.

4.4.b Security Personnel

Conservatorio has not decided if it will hire security personnel to protect its assets. If necessary, however, Conservatorio will ensure that the corresponding service contracts include provisions allowing it to: (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record and have not engaged in abuse; (ii) verify the details of any required training on the use of force; (iii) verify any restrictions or procedures used for the use of firearms; and (iv) identify the details of environmental training and social awareness, including human rights.

4.5 Land Acquisition and Involuntary Resettlement

The Project was developed and will continue to be developed on empty or vacant lots, unoccupied, previously negotiated and acquired from their previous owners, so it does not involve any kind of involuntary physical or economic displacement.

4.6 Biodiversity Conservation and Natural Habitats

The Project is developed on empty or vacant lots, unoccupied and with naturally regenerating vegetation (mainly grasses) with very little ecological value, so no significant impact on vegetation or alteration of biodiversity is expected.

¹¹ Resolution No. 725 of July 12, 2006, whereby the standards of the National Fire Protection Association, NFPA 101, 2003 edition in Spanish, are adopted as a reference for human safety regulations; NFPA 13, 2002 edition in Spanish, as a regulation for fire sprinkler systems; NFPA 20, 1992 edition in Spanish, as a regulation for stationary fire pump systems; additional functions are assigned to the permanent advisory committee for the study, adaptation, and application of NFPA 101 - Human Safety Code.

¹² Law No. 15 of May 31, 2016, which reforms Law 42 of 1999, establishing Equalization of Opportunities for Persons with Disabilities; Law No. 42 of August 27, 1999, establishing Equalization of Opportunities for Persons with Disabilities; Law No. 25 of July 10, 2007, approving the Convention on the Rights of Persons with Disabilities and the Optional Protocol to the Convention on the Rights of Persons with Disabilities, adopted in New York by the United Nations Assembly on December 13, 2006.

4.7 Indigenous Peoples

The Project is developed within the urban areas of Panama City, where there is no presence of indigenous peoples or community lands.

4.8 Cultural Heritage

Given that the Project as a whole is located within or in the buffer zone of the historical center (CMH Casco Antiguo) of Panama City, Conservatorio requested the DNPH of the INAC to classify all of the properties involved in the Project, all of which are of fourth order of conservation heritage value¹³ under the existing legislation in force.¹⁴

In light of this background, the Company hired a professional registered with the DNPH to conduct an archaeological survey and identify the presence of monumental or archaeological remains at the site. The results of this analysis were mostly negative or inconclusive, perhaps due to previous anthropogenic disturbances that have affected the oldest archaeological strata on the site.

4.8.a Chance Find Procedures

As stated in the Resolution of Approval of drawings of each of the Project's preliminary projects issued by the DNPH, this Directorate must be notified of any chance finds that may occur during the construction stage. In this sense, for the two new pending Project works (Casa Korsi and Casa Quijano) that require land preparation (excavation, land leveling, earthworks, etc.), Conservatorio will prepare a Chance Find Procedure and will implement and execute an Archaeological Monitoring Plan.

5 Local Access of Project Documentation

Conservatorio offers additional sustainability information on its website: <https://www.conservatoriosa.com/teoria-del-cambio/>

¹³ The order of heritage conservation value determines the intervention category and the type of work that is allowed to be carried out for each building comprising the historical center (CMH Casco Antiguo), which can be of first, second, third, or fourth order. A fourth-order building is defined as one built after 1940, with little or no architectural or environmental value.

¹⁴ Executive Decree No. 51 of April 22, 2004, approving a Manual of Standards and Procedures for the Restoration and Refurbishment of the Old Quarter of Panama City.