

Environmental and Social Review Summary (ESRS) Eleuthera Road Rehabilitation – BAHAMAS

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1 General Information of the Project and Scope of IDB Invest’s Environmental and Social Review

Caribbean Pavement Solutions Ltd. (“CPS” or the “Company”), a company organized under the laws of The Bahamas, and its shareholders, The Bahamas Striping Group of Companies (“BSGC” and collectively, the “Sponsors”) are seeking financing¹ for the improvement, execution, and completion of the Eleuthera Road Improvement Project (the “Project”).

This Project seeks to reconstruct and rehabilitate key roadways across the island of Eleuthera (93 miles of highways and 70 miles of minor collector and local settlement roads), enhancing connectivity, safety, and the overall travel experience. These improved roadways will unlock economic opportunities, facilitate smoother transportation of goods and services, and bolster the tourism sector, which is vital for the island's economy.

The environmental and social due diligence (“ESDD”) process included an on-site technical visit², interviews and meetings with managers and senior management of the Company, as well as the review, among other, of the following information: i) environmental policies and management plans; ii) human resources (“HR”) policies and procedures; iii) occupational health and safety (“OHS”) programs; iv) contractual environmental and social (“E&S”) and OHS requirements; v) supplier management procedures; and vi) emergency response plans and programs.

2 Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with IDB Invest’s Environmental and Social Sustainability Policy, since it will likely generate, among others, the following E&S impacts and: (i) an increase in risks to the health and safety of workers; (ii) generation of noise and pollutant emissions into the atmosphere; (iii) the generation of solid waste (both hazardous and non-hazardous) and liquid waste (mainly industrial and domestic wastewater); and (iv) resource use, primarily water and energy. These impacts and risks are deemed to be of low to medium intensity, largely reversible and can be mitigated via measures that are readily available and feasible to implement in the context of the operation.

¹ The financing will consist of a committed and uncommitted revolving working capital loan.

² The visits included CPS’ corporate offices in Nassau, the capital and largest city of The Bahamas, located on the island of New Providence, the asphalt plant facility and work sites in Eleuthera, a single island in the archipelagic state of the Commonwealth of the Bahamas.

The Project has triggered the following 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; and PS4: Community Health, Safety, and Security.

3 Environmental and Social Context

3.1 General Characteristics of the Project’s site

CPS, created in 2014, is specialized in delivering innovative preventative maintenance solutions, products, and services for asphalt, concrete and other pavement types at airports, road networks, industrial sites, commercial, retail and residential developments. It is the exclusive supplier of pavement rejuvenators (Rejuvenation³ and Bond-X Green Cold Patch⁴) in The Bahamas and the Caribbean. Most recently, the Company has expanded into road paving and construction, land clearing and site development as it owns its own fleet of heavy-duty construction and other more specialized equipment⁵, as an asphalt plant.

The Project consists of: (i) the reconstruction and rehabilitation⁶ of (a) stretch⁷ of approximately 93 miles of the Queen’s Highway, a main asphalt paved arterial road on Eleuthera, and (b) about 70 miles of minor roads (collectors and feeding roads); (ii) various other capital and infrastructure works⁸; and (iii) other road and infrastructure safety enhancements such as: (a) installation of guard rails (where required); (b) traffic signs and road markings; and (c) installation of sidewalks (in selected areas).

To achieve the required production of asphalt for the road pavement, the Company installed a new asphalt plant with a production capacity of 160 standard tons per hour (“sTPH”). This plant is located approximately a mile south of Rock Sound Community, within a rural environment, without any neighbors living nearby, and its main access is by the Queen’s Highway.

In compliance with the environmental regulations⁹, the Company obtained for the Project’s asphalt plant, the corresponding Certificate of Environmental Clearance¹⁰ (“CEC”) issued by the Department of

³ Rejuvenation is a process that involves the introduction of material chemically designed to penetrate and seal pavements, to reverse its conditions of aging, extending its life cycle, and sealing it against harmful contaminants.

⁴ Bond-X Green Cold Patch repair is an environmentally friendly green product for pothole patching and pavement repair applications that does not use any of the traditional softening agents associated with traditional Cold Asphalt Products nor does it contain any VOCs (Volatile Organic Compounds).

⁵ Such as excavators, grapple trucks, boom cranes, forklifts, payloaders, backhoes, low boy trailers, dump trucks and D8 tractors

⁶ Which include, among other: verge clearing (5 ft to each side of the carriageway); scarifying existing pavement and reworking the scarified materials including grading and compaction; pothole patching and edge repairs including cut, base, prime and asphalt; milling of existing pavement before new paving; backfill suitable material for raising road in areas prone to flooding; installation of approved culvert drainpipe - (supply, excavation, installation and compaction and install); drilling of drainage wells (min 150 ft depth with 10" casement and inclusive of catchpit); installation of additional catchpit and connection to existing wells across the road; and installation of culvert headwalls/wingwalls, include excavation, formwork, steel and concrete.

⁷ Between Hatchet Bay, in the north, to Bannerman Town and Cape Eleuthera, in the south.

⁸ Includes, among others: Topographic survey, pavement condition survey, drainage design (where required) and design of road realignment (where feasible).

⁹ The Environmental Planning and Protection Act dated December 19, 2019; and the Environmental Impact Assessment Regulation, dated September 15, 2020.

¹⁰ Certificate registration No. 20230, dated on February 28, 2024.

Environmental Planning and Protection (“DEPP”) of the Ministry of the Environment and Housing (“MEH”). However, CPS will identify and acquire all outstanding permits and licenses necessary for Project construction and operation.

3.2 Contextual Risks

The Bahamas is an archipelago located in the Atlantic Ocean formed of over 700 islands from which less than 30 are occupied by people¹¹. The climate in the region is tropical marine, constantly abated by hurricanes. Five per cent of the world’s coral and the world’s third largest barrier reef are located in The Bahamas. These natural wonders are a key draw for tourists.

The Bahamas is highly reliant on tourism, as it constitutes around 90% of its economy. Most of islands of The Bahamas, including Eleuthera, are largely flat, with approximately 80% of the land being less than 1.5 m above sea level. Most of the population live along the coast. Poverty rates reveal regional disparities in the proportion of people living below the poverty line¹².

The Bahamas’ reliance on tourism, an industry supported and reliant on the natural environment and marine resources, low-lying land, and high concentration of coastal inhabitants and infrastructure, makes it particularly highly vulnerable to climate change and associated natural hazards. Climate-related risks of particular concern include sea level rise, extreme weather events (especially tropical storms and hurricanes), rising temperatures, and changing precipitation patterns¹³.

In this sense, the contextual risk for the Project is classified as high due to significant natural disaster-related risks, which could lead to operational and logistical challenges. The island’s vulnerability to hurricanes and flooding can cause severe Project delays, increased costs, and potential damage to construction materials and equipment. These factors could add also complexities to the transportation of supplies to the island during the reconstruction stage. For these contextual risks, the Project implemented a reconstruction work schedule that considers the hurricane season, and a will develop a Hurricane Preparedness Plan to prevent and mitigate the risk of this specific emergency.

4 Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks

According to the specifications set in the contract with the Ministry of Works and Family Island Affairs (the “Contract”), to secure approval of a CEC, by the DEPP and to comply with the applicable environmental laws⁹, the Company will develop and implement an Environmental Management Plan (“EMP”) specific to the Project.

¹¹ See <https://climateknowledgeportal.worldbank.org/country/bahamas>

¹² Household Expenditure Survey 2013 Report. The Government of The Bahamas; 2016.

¹³ Health and Climate Change: Country Profile 2021; Small Island Developing State Initiative. World Health Organization (WHO), United Nations (UN) Framework Convention on Climate Change, and Pan American Health Organization (PAHO)

4.1.a Environmental and Social Management System

CPS has various E&S elements (policies, programs, and procedures) forming a basic Environmental and Social Management System (“ESMS”). The core of these is the Project’s EMP and Occupational, Health, Safety (OHS) Plan. However, the Company will further develop and adopt its ESMS to ensure its policies and procedures are tailored specifically to this Project.

Once adopted, the ESMS will be periodically reviewed¹⁴ to enhance or update its components based on the applicable E&S and OHS requirements.

4.1.b Policy

As part of the EMP, the Company will develop and adopt an Environmental Policy¹⁵, that declares its commitment to fulfill the applicable legal requirements, minimize environmental impacts and prevent pollution, continuously improve its effectiveness and efficiency, optimize the use of natural resources and energy, and report the E&S performance of the Project over its lifetime.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and indirect impacts and risks

Project’s potential E&S impacts include: (i) dust emissions from vegetation clearing, (ii) production of solid wastes during reconstruction, (iii) increase in vehicular traffic, (iv) vehicular emissions of combustion gases, (v) generation of hazardous wastes (asphalt, oils and fuel scraps), (iv) production of sanitary wastes, (v) vibrations and noise emissions from machinery, vehicle and equipment use, and (iv) generation of socio-economic benefits to the public, among others. As part of its ESMS, the Company will develop and implement Project-specific E&S and OHS, risk and impact matrices associated with each phase of the Project’s activities and those from its subcontractors.

4.1.c.ii Analysis of Alternatives

Since the Project will be developed within right of way of existing roads and in facilities already owned or leased by the Company, no other alternatives were considered other than the evaluation of various technological options based on their economics and efficiencies (in terms of raw material, electricity and accessibility).

4.1.c.iii Cumulative Impacts

Due to the characteristics of the Project¹⁶, its cumulative impact together with those generated by past, present and future projects, is considered marginal. As such, no cumulative impact mitigation plan is required.

¹⁴ Applying the Environmental and Social Management System, Implementation Manual – General; IFC; version 2.1; November 2015. Environmental and Social Management System Toolkit – General; IFC; version 1.2; November 2015.

¹⁵ As a requirement of the Contract.

¹⁶ The Project has the facility to schedule its activities so as not to interfere with other actions associated with the roads and even has the contractual requirement to maintain the traffic flow, in a controlled and safe manner, on all its work fronts.

4.1.c.iv Gender Risk

Even though The Bahamas has laws¹⁷ (including several agreements, treaties and conventions signed and ratified¹⁸) and institutions¹⁹ that seek to protect women, the Nationwide Crime Statistics for 2022 released by the Royal Bahamas Police Force, records 204 cases of sexual offences²⁰, which represent an increase of 14% compared to 179 that occurred in 2021. However, figures for 2022 indicate that major crimes against persons decreased by 2% with 3,979 cases, compared to 4,081 in 2021. There were regional decreases in Grand Bahama and the Northern Bahamas and the Family Islands District at rates of 19% and 3% respectively, compared to 2021. The rate of crime in New Providence remains unchanged when compared to 2021.

Given the type of activity and business (road improvement), together with the gender mix and the fact that the Project sites are in rural areas, gender risk is estimated to be low and will be mitigated by applying the principles in the Gender Diversity and Inclusion Policy and the equity and equality practices of the Company.

4.1.c.v Gender Programs

The Project will not generate materially differentiated impacts on men and women, nor will it promote gender-based violence or pimping activities. CPS promotes non-discrimination and equal opportunities in the search and promotion of its human talent. In this sense, the Project is expected to generate equitable employment opportunities for both men and women.

The Company has a Gender Diversity and Inclusion Policy in which outlines its commitment to creating a workplace where gender diversity and inclusion are integral to their culture and operations, as to the Company's corporate social responsibility initiatives. Any conduct contrary to this policy is investigated and analyzed by the Company and is subject to corrective and disciplinary measures (as applicable).

4.1.c.vi Climate Change Exposure

The location of the Bahamas archipelago in the Atlantic Hurricane Belt means that the islands are subject to regular hydro-meteorological hazards including hurricanes, storms and cyclones which occur most frequently from Augusto to November. The low relief of the lands in Eleuthera make it

¹⁷ The Sexual Offences Amendment Act (2014); the Child Protection Amendment Act (2014); the Criminal Evidence (Witness Anonymity) (Amendment) Act (2018); and the Protection Against Violence Bill (2023).

¹⁸ Some of these include: The Commonwealth Plan of Action for Gender Equality, 2005-2015; the Convention on the Elimination of all Forms of Discrimination against Women ("CEDAW") ratified in 1993; the Inter-American Convention on the Prevention, Punishment, and Eradication of Violence against Women (Convention of Belem do Para); the Beijing Platform for Action, 1995; the International Labor Organization ("ILO") Conventions; the Convention on the Rights of the Child (CRC) ratified in 1991; the Convention on the Rights of Persons with Disabilities, signed in 2013; and the United Nations 2015 Sustainable Development Goals ("SDGs").

¹⁹ The Department of Gender and Family Affairs ("DGFA"), formerly the Bureau of Women's Affairs, within the Ministry of Social Services and Urban Development, is the lead agency; the Office of the Attorney General; the Royal Bahamas Police Force; the Ministry of Health and Ministry of Education; among others.

²⁰ These offences include rape (55 cases), unlawful sexual intercourse (139 cases, including incest) and attempted rape (10 cases).

particularly vulnerable to flooding caused by storm surges and sea level rise. Due to its flat topography, the island is not prone to landslides. However, the calcareous and fragile nature of its soils make it vulnerable to soil loss caused by rain and wind action.

Therefore, the Project's facilities and work sites are highly exposed to coastal floods²¹ and hurricane storm surges and winds. These facilities and work sites also have a high exposure to heatwaves and precipitation changes (at the end of the century) with this risk expected to remain elevated in the future under low and high emissions scenarios. As the Project will not be water intensive, impacts from the latter hazards are deemed negligible.

The Project's asphalt plant was designed and located following the guidelines of the Disaster Risk Management Authority and the Local Government Administrator(s), to minimize hurricane impacts. Moreover, the plant will be equipped with weather stations to monitor wind strength and other climate parameters and will consider the reconstruction of storm drains to minimize flooding in case of heavy rainfall.

As part of its ESMS, CPS will prepare and implement a Project-specific Hurricane Preparedness Plan that will include pre-hurricane and post-hurricane safety precaution measures, to prevent, among other actions, that construction materials or equipment be displaced by wind forces or wave action.

4.1.d Management Programs

CPS's EMP has provisions and procedures to ensure that undue or reasonably avoidable adverse impacts from reconstruction and all operations under the Project are prevented, and the positive benefits are enhanced. Even though the EMP includes monthly environmental audits, monitoring and reporting mechanisms to address incidents and emergencies, and perform investigations and corrective measures, it will be updated throughout the Project's life cycle to include the identification, analysis and management measures for unforeseen circumstances or changes in Project's scope.

Nonetheless, the Company will develop and implement a detailed Project-specific Management Program, with operating controls and measures to eliminate, transfer or mitigate each significant risk or impact that has been detected, such as: (i) preventive activities to eliminate or reduce the frequency, probability and severity of the negative impacts and risks, which will be supported by preventive and predictive maintenance programs for equipment and machinery, as well as by ongoing training programs for employees and drill programs; and (ii) technical and operating recommendations based on the national OHS and environmental regulations.

4.1.e Organizational Capacity and Competency

The Company has in place a Health and Safety Officer, who, in compliance with the applicable health and safety laws and regulations²² and the Company's own policies, is in charge of ensuring the protection, health and safety of all workers and outsourced personnel (contractors, subcontractors, suppliers, visitors, etc.).

²¹ This indicates that potentially damaging waves are expected to flood the coast at least once in the next 10 years.

²² The Health and Safety at Work Act dated February 1st, 2002.

The Company will designate an Environmental Manager (“EM”), who will be responsible for the implementation of the Project’s EMP and to report to the Owner’s Representative, the DEPP, and any other agency, the Project’s compliance status and its E&S performance. This person will monitor all works carried out under the EMP and ensure that any activity noncompliant with the E&S provisions is immediately stopped and corrected. The Company will also designate Environmental, Health and Safety Officers (as many as required by the number of work fronts), who will coordinate and host consistent site meetings (both in-person and virtual) with the Company’s contractors and subcontractors, to highlight and attend items of immediate environmental concern.

4.1.f Emergency Preparedness and Response

The Company has a Life and Fire Safety Procedure, which provides clear guidelines for preventing fire incidents and ensuring a swift, organized response in the event of a fire or other life-threatening emergencies. This procedure establishes the mitigation and assistance preventive actions to protect the physical integrity of workers, visitors, suppliers, or customers in the work sites; contains measures to face the most probable risk scenarios threatening property and production continuity; and establishes communication and coordination mechanisms with the community, to handle this kind of emergency situations.

The Health and Safety Officer, together with the Management and the heads of the brigades within the Emergency Response Team (if applicable), oversees the annual training program for the emergency brigades, performs drills in compliance with the applicable national regulations in different scenarios (drills evaluation) and includes topics related to this procedure implementation and monitoring.

However, given the incidence of natural hazards (especially hurricane, tropical storms and cyclones), CPS will develop and implement a Project-specific Hurricane Preparedness Plan, which will include for this specific emergency situations: (i) climate risk analysis and response procedures; (ii) requirements for the conformation of response brigades; (iii) a list of contacts and communication systems and protocols; (iv) procedures to engage with the local and regional authorities²³ for health and emergency issues; (v) a list and the locations of the permanent emergency equipment and facilities to attend these natural hazards; (vi) evacuation routes and meeting points; (vii) a description and a calendar for training exercises and drills including external stakeholders (for example, neighboring communities and facilities, among others.); (viii) annual training programs; (ix) root cause analyses protocols for any major accident or fatality; and (x) a description of the corrective actions required to minimize the risk of new occurrences.

Also, in compliance with the environmental regulations⁹, the Company will prepare and implement a Project-specific Environmental Contingency Plan (“ECP”), which will contain environmental emergency response and restoration guidelines for any spill or accidental release of a pollutant, hazardous substances or waste, especially when the latter may pose a threat to human health of the environment.

4.1.g Monitoring and Review

One of CPS’s goals is to comply with all the environmental regulations required by the national legislation. For this purpose, environmental audits have been foreseen to check that the applicable legal

²³ Department of Meteorology Office; the National Emergency Management Agency (“NEMA”); and the Royal Bahamas Police Force.

requirements are complied with, at each phase and facilities of the Project (including the asphalt plant). In this sense, if a non-conformity is detected, a corrective or preventive plan will be executed until such noncompliance is closed. However, the Company will include in its EMP, the following: (i) a schedule for field monitoring and inspection, describing the frequencies²⁴, timing, and list of the environmental parameters to be surveyed; (ii) the location of monitoring sites; (iii) a description of the methods for data collection; (iv) analytical service requirements; (v) data management and evaluation procedures; (vi) monitoring programs for the subdivision works; and (vii) the inclusion in the reports of a summary of major findings.

The Company will prepare²⁵ a consolidated annual report on the Project's compliance status of all E&S and OHS policies and measures applicable, using key performance indicators ("KPIs"). Based on the results of these internal and external evaluations, the Company will define measures to reduce its impacts, improve its efficiency, and document and report progress and new procedures, as well as other certifications, as applicable.

4.1.h Stakeholder Engagement

CPS has a Stakeholder Engagement Plan ("SEP") to ensure effective communication and collaboration with all relevant stakeholders. The objectives of this plan are: (i) build and maintain trust with stakeholders; (ii) ensure transparency in project planning and execution; (iii) address and mitigate any concerns or issues raised by stakeholders; and (iv) foster positive relationships with the local community and other stakeholders. The Company will implement the SEP according to the needs and conditions of the Project.

4.1.i External Communication and Grievance Mechanism

4.1.i.i External Communication

CPS has an External Communication Procedure, which outlines the approach for managing all external communications to ensure their consistency, accuracy, and alignment with the Company's values and strategic objectives. This procedure applies to all forms of external communication, including press releases, social media posts, public statements, marketing materials, official reports, and any other communication directed at external audiences.

4.1.i.ii Communities Grievance Mechanism

CPS has an External Grievance Mechanism ("EGM") designed to address and resolve concerns and/or complaints raised by the community in a timely and fair manner. The purpose of this EGM is to provide a structured process for stakeholders to raise grievances related to projects the Company develops, ensuring that all concerns are addressed promptly, effectively, confidentially, and equitably. The EGM applies to all external stakeholders, including local communities, road users, government agencies, NGOs, and other interested parties affected by their work. The Company will implement this EGM according to the needs and conditions of the Project.

²⁴ According to the Contract, the Company shall report the findings of all monitoring to the Engineer at the monthly meetings, in an appropriate format.

²⁵ Either internally (internal audit) or through an independent external E&S expert (external audit).

4.1.j Ongoing Reporting to Affected Communities

In its website²⁶, CPS gives information about its operations and projects. Also, through its SEP it will furnish the communities and anyone who will require regular reports on its E&S performance.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

4.2.a.i Human Resources Policies and Procedures

CPS has several policies that cover employees' rights, including: (i) an Accommodation and Provision of Basic Services Policy; (ii) a Gender Diversity and Inclusion Policy; and (iii) a Child Labor and Forced Labor Policy.

Using this policy framework, as part of the ESMS, the Company will develop and adopt an umbrella Human Resources Policy that sets out its approach to managing its employees and will also disseminate it to all its workers, suppliers and contractors. This policy will establish the principles and standards related, among others, to: (i) interaction with customers, suppliers, agents and consultants; (ii) co-workers relationships; (iii) employment opportunities; (iv) behavior in the workplace; (v) handling invitations, gifts and monetary payments; (vi) protection of the environment; (vii) conduct and disciplinary measures; (viii) asset security; (ix) protection of information; and (x) conflicts of interest.

4.2.a.ii Working Conditions and Terms of Employment

Labor aspects and conditions are also well regulated in The Bahamas²⁷. Therefore, the Company, in alignment with the local labor regulation and the requirements of the Contract, has developed a framework of provisions and procedures related to: (i) child and forced labor; (ii) migrant workers; (iii) retrenchment; and (iv) security personnel conduct. The Company's Human Resources ("HR") Department has the responsibility for implementing age verification procedures and maintaining employee records.

Framed in the latter and in compliance with labor laws²⁸, the Company will develop and implement an Internal Labor Rulebook ("ILR") with the rules and conditions related to: the nature of the work; methods and conditions for personnel recruitment and hiring; onboarding, suspension and dismissal of workers; working days and hours, breaks and holidays; punctuality, leaves and absences; flexible work schemes to promote collaboration and productivity; salary; supplies, tools, materials and equipment (including personal protective equipment – PPE); training; safety, health and environmental measures; professional risks; the Company's obligations and prohibitions; workers' rights and obligations; workers' prohibitions; punctuality, attendance and leave non-compliance; and sanctions.

CPS recruits, selects, and hires talent following transparent, confidential, objective and stringent processes that guarantee that the principles of equality and nondiscrimination are respected. In this

²⁶ <https://www.bahamasstriping.com/home>

²⁷ The Employment Act (2001, Amended in 2017); The Industrial Relation Act (1971, Amended 2022); Minimum Wages Act (2002, Amended in 2015); The Recruiting of Workers Act (1940) and its Regulation.

²⁸ Including the applicable treaties, regulations and principles as established by the International Labor Organization ("ILO").

sense, the Company's ILR will make it clear that the selection, onboarding, compensation, evaluation, or promotion of employees is based on the competencies, academic education, professional track record, performance, behavior, attitude, and level of identification the candidates.

4.2.a.iii Worker Organizations

By pledging to comply with the local applicable legislation, CPS acknowledges the workers' rights to associate in workers' organizations and to be part of them, respecting and accepting all the responsibilities derived from the related laws, including the international treaties and conventions the countries have signed with the International Labor Organization ("ILO")²⁹.

CPS has a Workers' Organization Agreement which outlines the framework for the recognition, rights, and responsibilities of workers' organizations within the Company. It aims to ensure fair and effective representation of workers, foster a collaborative working environment, and support the overall goals of the Company while upholding workers' rights. This agreement applies to all employees of the Company who are represented by recognized workers' organizations or trade unions and covers the recognition of workers' organizations, their roles in employee relations, and the procedures for addressing workplace issues and grievances.

4.2.a.iv Non-discrimination and Equal Opportunity

The Bahamas is a signatory to several ILO conventions and treaties related to workers' rights, including the Convention No. 100 related to Equal Remuneration and Convention No. 111 concerning Discrimination (Employment and Occupation). The Company, in addition to fulfilling these provisions, establishes, within its Gender Diversity and Inclusion Policy, respect for individual diversity and equity, proceeding with justice, equality and impartiality, seeking a positive and inclusive social impact. Moreover, this policy establishes zero tolerance towards attitudes of discrimination, bullying, abuse or harassment at work, and ratifies the Company's commitment to promoting an environment in which no applicant, employee, service provider or contractor may be excluded or discriminated against in an external or internal selection process for reasons of ethnic or national origin, gender, age, disability, social status, health conditions, religion, immigration status, opinions, sexual preference, marital status or any other reason that may be detrimental to human dignity.

4.2.a.v Retrenchment

CPS has Retrenchment Plan, which outlines the steps, criteria, and support mechanisms to ensure a fair, transparent and compliant with legal requirements worker dismissal process, while minimizing the impact on affected employees.

4.2.a.vi Grievance Mechanism

The means of reporting or complaining about any inappropriate conduct, ethically questionable behavior or any breach of the policies and values and of the Company is by direct or written complaint to the immediate supervisor or to the HR Department. However, the Company will develop and implement an

²⁹ Convention 87 provides for the protection of the right to freely create and participate in trade unions; Convention 98 refers to the right to freedom of association and reaching collective bargaining agreements.

Internal Grievance Mechanism (“IGM”) or Whistleblower System, that will integrate various forms to capture grievances and claims through channels such as the currently used, and through digital means (email, the website, the employee portal or the dedicated phone line). This IGM will ensure that the mechanism guarantees anonymity (when requested) and confidentiality and will prohibit any retaliation against those who use it to report suspected violations or cooperate in the investigation of a suspicious act. Should any investigation be initiated by the relevant authorities, the mechanism will include the obligation to respond and disclose information, evidence or even the identity of the reporting employee, if the law requires it to do so.

4.2.b Protecting the Workforce

CPS, aligned with legal labor obligations in The Bahamas²⁷, respects the rights and obligations of employees and employers and promotes equality and equity in human, civil, political, economic, social and cultural rights between men and women. Similarly, its policy framework and procedures establish the obligation of employees, directors and officers of the Company, and contractors and suppliers, to comply with all applicable laws and regulations, as means to ensure transparency and accountability in business, community interaction and environmental responsibility.

4.2.c Occupational Health and Safety

CPS has an Occupational Health and Safety Plan that outlines procedures and policies designed to ensuring compliance with local regulations²² and international best practices, and preventing workplace accidents, injuries, and illnesses, ensuring a safe and healthy working environment. The plan, applicable to all employees, contractors, subcontractors, and stakeholders involved in the Company’s infrastructure projects, provides a structured approach to identifying, assessing, and controlling health and safety risks associated with its operations. The Company also requires all its contractors and subcontractors to provide proof of work skills and work permits duly authorized by the OHS Department.

However, the Company will develop and implement a Project-specific OHS Risk Assessment for all risky work defined in the diagnostic of the Project’s activities. This assessment will contain the guidelines and behaviors to: (i) identify hazards; (ii) evaluate risks; and (iii) establish prevention, correction, control or transfer measures to protect the physical integrity of employees (prevent injuries and damage to their health).

4.2.d Provisions for People with Disabilities

CPS does not discriminate against employees based on disability and complies with the regulations for the inclusion of people with disabilities.³⁰

4.2.e Workers Engaged by Third Parties

All the Company’s business rules, policies and procedures apply to all suppliers, distributors, agents, contractors, and any other employee engaged by third parties working with or for the Company. Workers, hired both by the Company and by third parties, can remain while they respect these binding instruments

³⁰ Persons with Disabilities (Equal Opportunities) Act 2014.

and the local applicable labor laws and regulations. These measures are supported with contract clauses included in the standard and special conditions of the Contract Agreements.

4.2.f Supply Chain

Through its Child Labor and Forced Labor Plan (“CLFLP”), CPS promotes the respect for human rights in its own operations and all throughout its supply chain. In this regard, the Company enforces the compliance with the applicable legal labor regulations, including the prohibition of child labor³¹ and forced labor³², and refraining from using any product or service produced with child or forced labor in its business activity. Moreover, the Company also demands its suppliers to provide written acknowledgement that they comply with labor policies relating to age and forced labor and that they undertake age verification and forced labor verification processes.

Nevertheless, CPS will prepare and implement a Sustainable Purchase Policy to regulate the acquisition of materials, equipment and services. Such a policy, to ensure safe working conditions, minimize environmental pollution and foster a rational consumption of natural and energy resources, will require its suppliers to meet not only the labor regulations of the countries where they operate (specifically, those attended in the CLFLP), but also those for OHS. The policy shall allow the identification of suppliers who do not comply with these regulations and will allow for the Company to impose, when necessary, sanctions that go from just a warning to the termination of their procurement agreements.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Although the size and amount of the reconstruction work on the Project, and the fact that the construction sites and the construction and materials storage yards will be located close to each other, greenhouse gas (“GHG”) emissions for the reconstruction phase of the Project could exceed 25,000 tons of CO₂ equivalent per year (“tCO₂eq/year”).

For this reason, CPS will conduct an Annual GHG Emissions Inventory for each of its facilities and road improvement activities of the Project, where it will quantify direct emissions from fuel consumption (scope 1) and indirect emissions from electricity consumption (scope 2), and those generated by the transportation of services contracted to third parties (scope 3) using the methodology developed by the Greenhouse Gas Protocol Initiative³³ (“GHG PI”). It will also report annually on the variation in results with respect to the base year (first full year of work) and explain the associated causes.

³¹ ILO Convention 138 on minimum age and 182 on worst forms of child labor.

³² ILO Convention 29 on forced labor and 105 on the abolition of forced labor.

³³ The Greenhouse Gas Protocol Initiative (“GHG PI”, <https://ghgprotocol.org/>) is a multi-stakeholder partnership of businesses, non-governmental organizations (“NGOs”), governments and other entities, convened by the World Resources Institute (WRI), a U.S.-based NGO, and the World Business Council for Sustainable Development (WBCSD), based in Geneva, Switzerland.

It should be noted that the Company is seeking to reduce its emissions by optimizing the use of electricity and reducing fuel consumption on its asphalt plant, equipment and vehicle fleet.

4.3.a.ii Alignment with Paris Agreement

Based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach³⁴, the Project is considered aligned with the Paris Agreement.

4.3.a.iii Water Consumption

During the reconstruction and improvement works, water consumption at the Project sites will exceed historical average values. Sources and volumes will be kept according to those authorized through groundwater concessions (water for industrial use) and the drinking water supply agreements (through the municipal public grid).

Even though there are no activities or equipment that are large consumers of water, CPS, in accordance with its environmental commitment, has implemented measures such as: (i) the replacement of obsolete or broken water storage or distribution devices with state-of-the-art technology to reduce consumption; (ii) the implementation of leak detection programs; and (ii) the implementation of water use awareness campaigns.

The operation of the asphalt plant maintains water efficiency procedures that include closed loop systems³⁵ to minimize the use of the resource.

4.3.a.iv Energy

Energy is and will be mainly supplied through the use of diesel fueled generators and solar powered lights and batteries.

During the reconstruction phase, the Project sites are not expected to exceed the historical average energy consumption values. However, as part of its environmental commitment, the Project will seek to reduce its electricity consumption, through: (i) the progressive installation of LED lighting fixtures;³⁶ (ii) the installation and replacement of electrical equipment with energy efficient equipment; (iii) the shutdown of unused equipment; (iv) the preventive maintenance of equipment to increase its performance; (v) the use of natural light in as many areas as possible; and (vi) the training of employees on energy saving.

³⁴ Document GN-3142-1.

³⁵ The water used in the wet scrubber system drain, with the particulates, into holding ponds, where these particulates settle, and the water is then recirculated through the system.

³⁶ LED (Light Emitting Diode).

4.3.b Pollution Prevention

4.3.b.i Emissions and Air Quality

The reconstruction and rehabilitation activities of the Project's will generate some noise, vibration and particulate matter (PM₁₀ and possibly PM_{2.5}). However, the Project's EMP establishes measures to minimize the production of emissions and dust through good practice techniques and ensuring equipment is maintained and functioning correctly. Also, the Company will undertake a semiannual dust control and monitoring program to monitor compliance with applicable regulations and establish, if necessary, mitigation measures appropriate to the characteristics of each activity.

The asphalt plant has both a wet scrubber and a filter baghouse system in place. For this reason, its operation will not generate significant pollutant emissions into the atmosphere. Nonetheless, the Company will closely monitor the gas emission of the asphalt plant.

4.3.b.ii Wastes

CPS currently separates, classifies and temporarily stores the solid waste produced at its facilities and work sites³⁷, and has an authorized external manager (approved by DEHS³⁸) for the removal, transfer and final disposal of non-hazardous solid waste, either by recycling managers or for its disposal in an authorized landfill.

The Project has a Waste Management and Disposal Plan that includes education and training campaigns for all its personnel and suppliers on waste reduction, reuse and recycling, as well as initiatives to classify and register (by weight or volume) its solid waste into hazardous and non-hazardous, as defined by environmental regulations³⁹. In addition, the Company conducts awareness campaigns for its suppliers on issues related to the use of single-use waste and integrated waste management.

CPS does not generate industrial wastewater. All its liquid effluents are considered domestic effluents and are disposed in septic tanks or collected in mobile toilets and managed by an authorized service provider.

4.3.b.iii Hazardous Materials Management

The Project, in alignment with the applicable environmental legislation³⁹, reports on the generation, storage, handling and transportation of the hazardous waste generated, as well as the records of the companies that handle it.

The Project's Waste Management and Disposal Plan includes guidelines to: (i) identify, control, minimize, add value to and manage hazardous waste comprehensively; (ii) encourage a reduction-oriented mindset, by eliminating the use of this type of wastes or replacing them with non-hazardous ones; (iii) determine

³⁷ According to the Contract, the Company shall remove all rubbish, debris, etc., as they accumulate on the site, and clean the areas as necessary so that the work site is kept clean and tidy during the progress of the Contract.

³⁸ Department of Environmental Health Services ("DEHS") of the Ministry of Environment and Natural Resources.

³⁹ The Environmental Health Service Act of May 11, 1987; and the Environmental Health Services (Collection and Disposal of Waste) Regulation dated March 31, 2004 (and its Amendment in 2013).

appropriate measures for the internal handling, collection and transportation to a temporary storage area for each type of hazardous waste, and (iv) safely store hazardous materials in line with the regulations, the products' safety data sheets, the official safety standards and procedures. The EMP also sets the environmental KPI for waste generation, and lists the activities, resources, people responsible, estimated completion date and status information for managing such hazardous waste.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The Project facilities (mainly the asphalt plant) were designed and built by competent and recognized contractors on the construction and operation of this type of works, using to such end international good practices and meeting the applicable national and international construction and safety guidelines, standards and codes.

CPS will execute the Project and operate its facilities with the best applicable environmental and OHS practices. Therefore, the Project's EMP will have a specific section detailing provisions for the protection of communities, which will include protocols for emergency response (rescue, evacuation, and fire brigades), coordination procedures with external authorities²³, and a list of actions to be taken in case of any environmental emergency (leaks, spills and fires or explosions) that exceeds the Company's response capacity. Likewise, CPS, in line with its External Communication Procedure and through its Health and Safety Officer and Management, will explain to the communities the contents of the ECP, including the potential risks at each site, the expected response protocols, the alarm and communication systems, the evacuation routes, and the internal and external drill program, among others.

For the asphalt plant, CPS has a full business and liability insurance policies, which cover any type of damage to the property within its facilities, including third-party property in its custody and control. These policies also cover damages to adjoining property, environmental and social damage outside its facilities.

Increased traffic from Project reconstruction activities can potentially affect communities in Eleuthera. To safeguard motorists during the execution of the Project, the Company's Traffic and Road Safety Plan foresees the installation of temporary traffic caution signage on each working site, as well as the implementation of managing traffic activities to ensure vehicle and equipment safety, protect pedestrians, and respond to emergencies during road works and other infrastructure activities.

4.4.a.i Infrastructure and Equipment Design and Safety

CPS's facilities and work sites have installed equipment for detecting and containing leaks and spillages, fire-fighting systems, and emergency communication systems, that are in line with the national requirements.⁴⁰ However, the CEC will develop and adopt a Fire Management Plan for the Project's asphalt plant, and after the construction is completed but before the plant starts operating, will hire a life and fire safety ("L&FS") system professional to certify that: (i) all plants facilities and buildings, whether completed or in progress, were built according to approved L&FS designs; (ii) all equipment was installed as per L&FS design; and (iii) all L&FS equipment was tested following international standards.

⁴⁰ The Health and Safety at Work Act (2002).

4.4.b Security Personnel

Security at the installation sites will consist of daily drive-by patrols by unarmed security personnel. If on-site security personnel is to be hired by CSP, the Company will use the principles of proportionality and good international practice⁴¹ in relation to hiring, rules of conduct, training, equipping, and monitoring of such workers, and by applicable law.

4.5 Land Acquisition and Involuntary Resettlement

The Project will be developed within the road's right of way⁴² and will not involve any development outside its own or leased land (previously acquired or negotiated through a private agreement or contract). As such, the Project does not involve any involuntary physical or economic displacement.

4.6 Biodiversity Conservation and Natural Habitats

Eleuthera is home to a 25-acre nature preserve (the Leon Levy Native Plant Reserve), which includes an environmental education center. The island features, among other flora and fauna, 13 species of native amphibian and reptile (three of which were listed as endangered in 2000⁴³).

However, as the Project will be developed within the existing road's right of way, in previously disturbed areas (leveled and compacted) and shall ensure that the existing vegetation outside the right of way remains undamaged, no significant impacts to plant life or alterations to biodiversity are foreseen.

4.6.a Supply Chain

By inspecting quarry extraction sites and ensuring that appropriate permits are in place, CPS will make reasonable efforts to guarantee that all construction materials to be used in the Project have been responsibly sourced.

According to the Contract, the Company must purchase concrete, limestone base and asphalt aggregates from approved and licensed quarries or extract them directly from authorized borrow pits. However, for this purpose it shall: (i) obtain the necessary permits to extract such material from borrow pits; (ii) prioritize the use of areas that are near the road alignment, have already been cleared, present some natural or anthropic degradation and are not located in floodplains; and (iii) at the end of the exploitation phase, perform activities to restore the area (restoration of soil horizons, reconstruction of drainage systems, replacement of fences, and re-vegetation using native low and arboreal species).

⁴¹ Including practices consistent with the United Nation's ("UN") Code of Conduct for Law Enforcement Officials

⁴² Although there could be a road realignment, as required by the Contract, the Company will locate these improvements only where Government owned land is available.

⁴³ Dahl, Arthur & UNEP Staff (October 21, 1990). "UNEP Island Directory: Islands of Bahamas, Eleuthera". Geneva, CHE: United Nations Environment Program (UNEP); October 31, 2017.

4.7 Indigenous Peoples

Although, the original population was of Taino or Arawaks descendance, the island has been largely occupied by British settlers since 1648⁴⁴. Therefore, the Project will not generate any impact on indigenous peoples.

4.4 Cultural Heritage

Since the Project is located within the existing road's right of way (previously disturbed areas), no impact on cultural heritage is foreseen.

5 Local Access of Project Documentation

CPS provides commercial information at the following website: <https://www.bahamasstriping.com/home>

⁴⁴ "History of Eleuthera", Glorious Bahamas; February 21, 2017.