

Environmental and Social Review Summary (ESRS) Credit line for ENSA – PANAMA

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

This operation consists of a credit facility for Elektra Noreste, S.A. (“ENSA” or the “Company”) to finance the expansion of the electric power distribution system¹ in its concession area², including infrastructure maintenance, actions to reduce system losses, and the procurement and installation of computing equipment, public lighting, and prepaid energy meters (the “Project”).

The Environmental and Social Due Diligence (“ESDD”) process included: i) a documentary review including the Company’s environmental information (manuals, procedures, licenses and permits, and operational reports); ii) an in-person meeting with personnel of the Vice-presidencies of Engineering, Planning and Market, Human Resources, and Legal, Sales and Strategic Customer Planning; and iii) a visit to the office, maintenance workshop, metrology laboratory, and the Cerro Viento Substation, located in the San Cristóbal area of Juan Díaz Corregimiento, Panamá District, Panamá Province.

2 Environmental and Social Categorization and Rationale

The Project has been classified as Category B under IDB Invest’s Environmental and Social Sustainability Policy, as its environmental and social (“E&S”) risks and impacts are expected to be largely reversible and can be mitigated with measures that are readily available using current technologies. These include: (i) soil substrate modification due to excavation and compaction processes; (ii) noise pollution and vibrations; (iii) the generation of hazardous and non-hazardous waste; (iv) pollutant emissions into the atmosphere, primarily combustion gases from construction and maintenance machinery and equipment; (v) employee health and safety risks; (vi) potential community health and safety repercussions related to the increase in heavy vehicle traffic and partial road closures, and due to electrified infrastructure; and (vii) resource use, primarily water and energy. The majority of these impacts and risks are deemed to be of medium-low intensity.

The Project will trigger the following International Finance Corporation (“IFC”) Performance Standards (“PS”): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; PS4: Community Health, Safety, and Security; and PS5: Land Acquisition and Involuntary Resettlement.

¹ The expansion of the distribution system may also include primarily, depending on demand, the construction of transformer or switching substations (as required), expansion of the electrical grid or power lines, and the installation and operation of transformers.

² The concession area includes the north-east part of Panamá Province and the provinces of Colón and Darién, in addition to the Guna Yala and Emberá-Wounaan Indigenous regions, and Panama’s Pacific islands.

3 Environmental and Social Context

ENSA was established in November 1998, following a privatization process of the then-Instituto de Recursos Hidráulicos y Electrificación (“IRHE”) by the Panamanian government to modernize and optimize electricity services in Panama. The Company started operations with 173,700 customers in the Colón and Darién provinces, Guna Yala Region, Pacific islands, and the eastern part of Panamá Province, which comprise its concession area. As of the present date, ENSA has more than 500,000 customers and approximately 1.9 million users, comprising 42% of the electric energy service customer market in Panama.

Although its original name was Empresa de Distribución Eléctrica Noreste (“EDENE”), in 2011 the Company renovated its corporate identity and changed its name the one it uses today. ENSA is currently a limited liability company whose majority shareholders are the State of Panama and the EPM³ Group. The EPM Group is a publicly owned company that has operated in Colombia for more than 50 years, providing electric power to more than 1 million customers, among other public services.

The Company has 4 administrative facilities, 3 warehouses, 11 customer service agencies, and 22 electrical substations (11 in Panamá Province and 11 in Colón Province) distributed throughout its concession area, which covers an area of approximately 3,120 km² and includes more than 12,534 km of low, medium, and high-voltage distribution lines.

Like other electricity distribution companies in Panama⁴, ENSA is subject to the regulatory framework imposed by Panama’s National Public Service Authority [*Autoridad Nacional de los Servicios Públicos*] (“ASEP” or the “Regulatory Authority”), which ensures that this public service is provided as required by the provisions of the electricity sector framework law and other related legislation.

3.1 General Characteristics of the Project’s site

The Company’s concession area covers one of the fastest-growing regions of Panama in terms of population (which at times is disorganized or unplanned), parts of which lack access to public services such as drinking water, sewage, drainage, and even electricity. Until less than five years ago, many communities in this area did not have electricity in their homes or public lighting, resulting in public safety issues and an increase in crime levels.

3.2 Contextual Risks

The World Bank’s Natural Disaster Hotspots: A Global Risk Analysis report places Panama fourteenth globally among the countries most exposed to multiple hazards, with 15% of its total area exposed to natural disasters and 12% of its population vulnerable to two or more hazards. A large part of this exposed population is also among the country’s poorest and is subject to the most precarious conditions. Factors that increase the country’s vulnerability to natural disasters include disorderly population growth, the lack of development planning mechanisms, and low levels of compliance with construction and land use regulations.

³ The EPM Group holds 51% of the shares in ENSA, while the Panamanian State holds 48.3% and the remaining 0.7% is held by current and former employees of IRHE.

⁴ Empresa de Distribución Eléctrica Metro-Oeste, S.A. (EDEMET), and Empresa de Distribución Eléctrica Chiriquí, S.A. (EDECHI).

At the social level, many communities in the Panamá, Colón, and Darién Provinces and the Guna Yala and Emberá-Wounaan indigenous regions lack access to basic services (education, healthcare, drinking water, drainage, transportation, and electricity), with the exception of provincial capitals (primarily Panama City and Colón). This situation is exacerbated in remote areas, which also suffer from overcrowding and geographic isolation, making it difficult to guarantee and safeguard residents' social and economic rights, resulting in public safety issues, increasing crime rates, social risks, and a lack of economic fairness, social wellbeing, public participation, and equality in fundamental rights.

The contextual risks associated with the Project's concession area and lifecycle can be grouped as follows: (i) natural hazards (earthquakes, fires, storms, and hurricanes); (ii) social and occupational risks (theft, vandalism, protests, and workplace accidents); (iii) financial risks (availability of funds, inflation, and changes in the price of materials); (iv) legal risks (obtaining permits and licenses, corruption, and regulatory changes); (v) design risks (incomplete or deficient plans); and (vi) operational risks (strikes, lack of realistic scheduling, and low productivity). However, these risks are deemed to be moderate to low, both in terms of the damage they may cause to physical infrastructure or employees and neighboring communities, as of their potential to result in business interruption. The Project's implementation will not generate new hazards or increase the area's vulnerability to these hazards.

4 Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a Environmental and Social Management System

ENSA is committed to achieving the United Nations ("UN") Sustainable Development Goals ("SDG") in each of its projects, and it adhered to the UN *Global Compact*⁵ in 2010. In addition, the Company has calculated its Corporate Environmental Management Index⁶ ("CEMI") based on an external audit contracted by the EPM Group to improve environmental management through the annual monitoring of compliance with the Environmental Policy and its guidelines for each of the companies and measurements that comprise it.

In 2020, the Company obtained a score of 97% in the CEMI, demonstrating its commitment to protecting and caring for the environment across all of its production processes and services, fostering job creation and shared wealth, promoting efficient use of the available natural resources, and the pursuit of greater community wellbeing and development, both now and in the future.

⁵ United Nations Global Compact is a voluntary initiative that encourages businesses to incorporate 10 universal principles related to human rights, labor, the environment, and the fight against corruption in their strategies and operations, and to act in a way that advances social objectives and the implementation of the SDGs.

⁶ Corporate Environmental Management Index ("CEMI") is an indicator used by the EMP Group based on an objective assessment of each company in order to identify its strengths and areas for improvement through recommendations associated with compliance with the EMP Group's environmental policy.

4.1.b Policy

ENSA has implemented an Environmental Policy that outlines its commitment to protecting and caring for the environment across all its production processes through comprehensive environmental management. The policy's main guidelines include: (i) preventive environmental management and rational resource use; (ii) communication of environmental management and engagement; (iii) compliance with environmental legislation and voluntary commitments; (iv) promotion of an environmentally friendly culture; and (v) improvement of its environmental performance.

ENSA has also implemented an Occupational Health and Safety Policy that ratifies the Company's commitment to promoting and maintaining a culture of occupational health and safety as a core value and principle focused on its employees, contractors, visitors, and suppliers, through compliance with the rules and procedures established in Panamanian legislation and other applicable regulations. The Company has also implemented an Occupational Risk Prevention Management System based on a culture of "self-care", demonstrating the commitment of senior management and all ENSA employees to guaranteeing risk identification, assessment, control, and prevention, and continuous improvement in this area.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and Indirect Impacts and Risks

The CEMI revealed that the Company is able to identify environmental and social risks and impacts associated with its operations; and that data is organized by the phase in which said environmental impact is generated (construction; expansion and replacement; decommissioning, closure or abandonment; maintenance and operation; and administrative activities and planning), the party that generates the impact (the Company or contractor), and the conditions under which the impact is generated (normal or emergency conditions). This enables ENSA to assess the severity of the impact and take the necessary measures to manage it.

Additionally, as part of its E&S commitments, the Company complies with the terms and conditions established in the environmental impact assessment instruments for each project that it implements⁷, which are approved by the competent environmental authority. It also submits the periodic reports required by applicable environmental regulations.

4.1.c.ii Gender Risks

In Latin America, significant gender inequality—defined as differential and unequal access to employment, education, and economic opportunities, and political participation based on sex or gender—continues to exist. This inequality is reinforced by widespread cultural norms regarding acceptable roles for men and women, exacerbated by weak legal safeguards and an inappropriate social response, resulting in gender discrimination, unequal access to public services, educational differences, salary and workplace inequality, and lower levels of political participation for women.

⁷ Including both Environmental Impact Assessments ("EIAs") and Environmental Adequacy and Management Programs ("EAMPs") resulting from voluntary audits, as required by Panamanian environmental legislation.

While Panama has laws⁸ and institutions⁹ responsible for protecting women, in terms of gender-based violence and harassment, the number of femicides between January and September 2022 increased by 19% compared to the same period of 2021, while attempted homicide increased by 15% and violent deaths by 31%¹⁰, according to statistics from the Public Prosecution Service¹¹. Similarly, with regard to gender-based violence and sex crimes, 4,625 cases were reported between January and September 2022 (an 8% increase compared to the same period of 2021), primarily rape (40 %), sex with a minor (36 %), and lewd acts and child pornography (18 %).

According to the Public Prosecution Service, between January and September 2022, Panamá Province recorded the highest number of femicides and violent deaths of all the country's provinces, and the second highest number of attempted femicides, after the Chiriquí and Coclé Provinces. Panamá Province also recorded the highest number of crimes against sexual integrity, followed by the Panamá Oeste and Colón Provinces.

However, given the type of activity (construction) that will be developed by the Project, in addition to the fact that the works are located in urban centers, gender risk is estimated to be low and easily mitigated through the equality and equity principles and practices promoted and implemented by the Company, which are contained in its Code of Ethics, Corporate Conduct Manual, and Internal Labor Regulations.

4.1.c.iii Climate Change Exposure

In general, the Project's infrastructure is moderately exposed to physical risks and hazards related to climate change, as follows: (i) according to a global climate model, high exposure to droughts and moderate exposure to changes in rainfall patterns; and (ii) high exposure to droughts, with a tendency to moderately increase in an RCP 8.5¹² climate change scenario.

Nevertheless, climate change exposure risk is expected to be addressed by the design of the works and the measures proposed in the Emergency Response Plan, which is reviewed annually.

4.1.d Management Programs

For the Project's E&S management, the Company prioritizes: (i) the commitments adopted in Environmental Impact Assessments ("EIAs") or Environmental Adequacy and Management Programs ("EAMPs"), and their corresponding approval resolutions; (ii) the commitments adopted by the

⁸ Law No. 82 of October 24, 2013 adopts measures to prevent violence against women and reforms the Penal Code to criminalize femicide and penalize violence against women; Law No. 71 of December 23, 2008 created the National Women's Institute; Law No. 38 of July 10, 2001 reforms and adds articles on domestic violence and child abuse to the penal and judicial code; Law No. 73 of December 18, 2015 modifies articles of Law No. 38 of 2001 on the domestic violence procedure, among others.

⁹ The National Women's Institute ("INAMU"); the National Council of Women ("CONAMU"); the National Committee on Violence Against Women ("CONVIMU"); and the Panamanian Observatory Against Gender Violence ("OPVG"); among others.

¹⁰ Violent death refers to all homicides of women not considered to be femicides by the prosecutor on the case, in accordance with Law No. 82.

¹¹ Source: The Republic of Panama Public Prosecution Service's Statistics Center.

¹² A Representative Concentration Pathway ("RCP") is a greenhouse gas concentration (not emissions) trajectory adopted by the IPCC. The pathways describe different climate futures, all of which are considered possible depending on the volume of greenhouse gases ("GHG") emitted in the coming years. The original RCPs (RCP 2.6, RCP 4.5, RCP 6, and RCP 8.5) refer to a possible range of warming scenarios in 2100 (2.6, 4.5, 6 and 8.5 W/m², respectively).

competent industry authorities (DOYC¹³, Fire Department, etc.); (iii) the Company's own commitments; (iv) E&S best practices; and (v) compliance with the applicable E&S and Occupational Health, Safety, and Hygiene ("OHS") legislation in force.

4.1.e Organizational Capacity and Competency

ENSA has implemented an organizational structure that is responsible for environmental and social matters, with an Environmental Coordinator reporting to the Head of Engineering Planning in the Planning and Control Division, who in turn reports to the Engineering Division. The Environmental Coordinator is responsible for overseeing environmental compliance and promoting a sustainable business model that is respectful toward the environment and committed to preventing pollution. They are supported by an executive committee¹⁴, which also aids other project management areas of the Vice-presidency of Engineering (Operations and Maintenance Department, Electricity Infrastructure Projects Department, and the Energy Recovery Department)¹⁵.

Additionally, in terms of sustainable development, the Company has a Strategic Planning, New Business, Innovation, and Sustainable Development Department, which coordinates with ENSA's other areas.

With regard to occupational health and safety ("OHS"), ENSA has a Safety and Occupational Risk Management and Prevention Department led by the Vice-presidency of Human Development and Management ("PDM"), which has 6 PDM Coordinators, and the Head of Safety and Occupational Risk Management and Prevention ("SORMP"). The Head of SORMP is supported by SORMP Coordinators at each site, who are responsible for enforcing health and safety procedures with all employees and external personnel (contractors, subcontractors, suppliers, visitors, etc.), forming emergency brigades, and implementing Emergency Response Plans.

4.1.f Emergency Preparedness and Response

The Emergency Response Plans summarize the results of the risk assessment process for ENSA's facilities and activities through a threats, exposure, and vulnerability (e.g.: geological and hydrometeorological hazards, etc.) analysis, along with their impact on the affected population. In general, these plans outline: (i) the Company's specific emergency guidelines and procedures and general emergency response instructions at its various facilities for reduced response times for each project and increased effectiveness, to the greatest possible extent; (ii) the specific emergency response materials required for each probable scenario; (iii) details of the main actions to be taken before, during, and after an emergency event; (iv) the internal and external communication systems to be used; and (v) the training activities included in the plan, such as emergency drills, to ensure optimal implementation and awareness of the plan among personnel and contractors.

Additionally, the Company has developed an Environmental Emergency Identification, Prevention, and Response Manual specifically for potential accident and emergency situations with possible environmental impacts, which establishes the necessary controls and actions to respond to them.

¹³ Department of Municipal Works and Construction of Panama.

¹⁴ Consists of the CEO and General Manager (person responsible); the Vice-presidents of Planning and Markets, Sales, Engineering, Finance, Supplies and Services, Human Development and Management, Legal Support, and Internal Audit; and the Management Control Manager.

¹⁵ The project managers are directly responsible for managing and ensuring compliance with environmental regulations.

4.1.g Monitoring and Review

The CEMI assesses ENSA's environmental initiatives and compliance against targets established by the EMP Group, which include: (i) the approach to and support for environmental management; (ii) compliance with environmental legislation and voluntary commitments; (iii) the management of environmental aspects and impacts, and environmental performance; (iv) environmental culture, engagement, and communication; and (v) climate change.

The Company also has an Environmental Inspection Procedure and the EAMPs developed from voluntary environmental audits, which provide an overview of key performance indicators ("KPIs") and the necessary inspection and monitoring tools to verify the implementation of the corresponding prevention, mitigation, and compensation measures. These actions are complemented by the implementation of the Environmental Monitoring Plan, which includes measurements and assessments to verify compliance with the maximum permissible limits of environmental, occupational health and safety, and social parameters.

Likewise, the Company also calculates its Trajectory Index (audited by the EMP Group's sustainability team), which analyses its performance (based on the SDGs) on sustainable development issues, corporate social responsibility ("CSR"), human rights, monitoring of economic, social, and environmental impacts, and stakeholder relations and engagement.

Nevertheless, ENSA will prepare¹⁶ a consolidated annual report on its compliance with all E&S and OHS policies and measures applicable to the Project, including progress on CEMI and EAMP initiatives compared to the established KPIs; as well as compliance with the IDB Invest Environmental and Social Sustainability Policy.

4.1.h Stakeholder Engagement

ENSA adheres to stakeholder engagement guidelines that govern its actions and procedures to identify, prevent, mitigate, and control the social impacts that may be generated by its activities. These guidelines enable the Company to strengthen its stakeholder relations and contribute to community development, anticipating disputes through dialogue, coordination, and direct communication with stakeholders in its area of influence.

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External Communication

ENSA has a Corporate Communications and Relations Manager who is responsible for developing the communication, corporate image, and institutional relations strategy in the countries where it operates. Additionally, the Company releases an annual sustainability report in accordance with the Global Reporting Initiative ("GRI") sustainability reporting standards, which includes all sustainability issues and progress made each year. The Corporate Communications and Relations Manager supervises the corporate documents and content produced to ensure that communication is in line with the Company's goals and identity.

¹⁶ Either internally (internal audit) or through an independent external E&S expert (external audit).

To achieve a positive opinion of the Project among the population that is directly impacted by its implementation, ENSA will develop a Communication and Dissemination Program that includes dissemination and external communication activities intended to promote and raise awareness of the Project.

4.1.i.ii Grievance Mechanisms for Affected Communities

ENSA receives grievances and complaints from its customers, suppliers, and contractors or other affected parties related to potential deviations from or breaches of its Code of Ethics, corporate policies, internal labor regulations, and current regulations. Grievances and complaints may be received in writing, addressed to the Vice-presidency involved or the Vice-presidency of Human Development and Management, or via EPM's "Transparent Contact" complaints channel. The Company has made a specific email address, website¹⁷, and mailing address available to receive grievances. As indicated in its Code of Ethics, grievances and complaints are handled under strict confidentiality, trustworthiness, equity, audience, objectivity, autonomy, and complainant protection principles.

The Company has also implemented a Complaints Channel Operation Guide which outlines how the Monitoring Committee¹⁸ conveys the grievance received for assessment, review, and possible solution by the corresponding area. In those cases, in which a possible deviation from the Code of Ethics or a breach of corporate policy or current laws and regulations is identified, the grievance mechanism specifies that an investigation must be launched. Depending on the type of breach that is discovered, penalty measures permitted by labor regulations in each country (fines or other types of penalties imposed by the competent government agencies) may be applied. The guide also establishes the principles of anonymity, confidentiality, and autonomy, as well as the commitment to avoiding any type of harm or reprisals for whistleblowers.

4.1.j Ongoing Reporting to Affected Communities

ENSA releases its annual sustainability report via its website¹⁹, where it provides information on its activities and its global vision for sustainability and social responsibility.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

In 2022, ENSA had a team of 621 employees, of which 35% were women and 65% were men. The Company's executive committee is made up of 54.4% women, who hold positions from vice president to first line managers.

¹⁷ <https://aplicaciones.epm.com.co/contactotransparente/#/inicio?site=0>

¹⁸ Made up of the CEO and General Manager, and the Vice-presidents of Human Development and Management and Legal Support.

¹⁹ <https://www.ensa.com.pa/informes-de-sostenibilidad>

4.2.a.i Human Resources Policies and Procedures

ENSA has implemented a Code of Ethics intended to ensure that all employees, contractors, and suppliers adhere to universally accepted ethical principles and values. As required by Panamanian legislation and international conventions and treaties on labor standards and human rights signed by Panama, the code establishes and guarantees decent treatment, a healthy work environment, good quality of life at work, and optimal working conditions for all employees, considering the following key aspects: (i) mutual respect; (ii) privacy; (iii) equal opportunity and non-discrimination; (iv) health and safety in the workplace; (v) the prohibition of all forms of harassment and bullying; (vi) the protection of health and the environment; and (vii) human rights. During the induction and re-induction process, all employees receive training on the principles and commitments contained in this Code of Ethics and sign a form indicating their agreement with the provisions included in the code.

As an extension of the Code of Ethics, the EMP Group has implemented a Corporate Conduct Manual that defines the minimum (non-negotiable) standards that all employees must adhere to, regardless of where they provide their services.

The Company has also developed a Human Rights Policy, in which it declares its commitment to the rights contained in the Universal Declaration of Human Rights, specifically regarding the following aspects: (i) the right to decent work; (ii) the prohibition of child labor; (iii) safety and human rights; (iv) respect for the rights of indigenous peoples; (v) the preservation of human rights in the supply chain; (vi) refusal to enter into dealings with illegal groups; (vii) human rights and stakeholders; (viii) respect for equal rights; and (ix) monitoring and reporting.

Additionally, the Company has an Internal Labor Regulations (“ILR”) approved by the Ministry of Labor, which define and establish, primarily: (i) the conditions for employment contracts; (ii) the work day and work place; (iii) working conditions for women and minors (as per applicable Panamanian legislation); (iv) salaries; (v) health and safety measures; (vi) employees’ and the employer’s rights, obligations, and restrictions; (vii) disciplinary sanctions; (viii) requests and grievances procedures; and (ix) the operation of the Company’s executive committee.

The Company has developed an annual training plan that reinforces the principles and values contained in the Code of Ethics, as well as the standards and obligations outlined in the ILR and the Corporate Conduct Manual.

4.2.a.ii Working Conditions and Terms of Employment

The ILR and Code of Ethics comply with Panamanian labor laws²⁰ and International Labour Organization (“ILO”) conventions, establishing the principles of gender equality and non-discrimination, equal opportunity, the prohibition of child labor, fair treatment, the prohibition of workplace harassment and penalties for sexual harassment, the adoption of appropriate working conditions and terms of employment, and notice of termination and compensation. All employees, depending on their type of contract, receive training on the ILR as part of the induction process, and subsequently receive a re-induction as part of the annual training plan.

²⁰ Cabinet Decree No. 252, Labor Code (December 30, 1971), and the amendments introduced by Law No. 44 of August 12, 1995.

4.2.a.iii Workers' Organizations

ENSA complies with labor laws that establish freedom of association and with ILO conventions and treaties related to workers' rights, including Convention No. 87 on freedom of association and protection of the right to organize, and Convention No. 98 on the right to organize and collective bargaining. In that regard, the Company permits freedom of association of its employees, and has implemented a collective labor agreement with the Union of Workers in the Electricity and Similar Industries of Panama.

4.2.a.iv Non-discrimination and Equal Opportunity

Panama has signed several ILO conventions and treaties related to workers' rights, including Convention No. 100 on equal remuneration and Convention No. 111 on discrimination (employment and occupation). In addition to the principles of equal opportunity and non-discrimination contained in the Code of Ethics, the Human Rights Policy also establishes respect for individual diversity, equity, fairness, equality, and impartiality; as well as a hiring process that promotes social inclusion, fair pay, and respect for human and labor rights, which is adapted to the cultural characteristics and applicable legislation in Panama.

4.2.a.v Grievance Mechanism

To address grievances, in addition to the possibility of notifying the immediate superior or the Vice-presidency of the area or the Vice-presidency of Human Development and Management, the Company has implemented EPM's "Transparent Contact" grievance channel and a protocol for reporting any behavior that involves a breach of the Code of Ethics, the Human Rights Policy, or the applicable labor legislation in force. This channel may be used not only by employees but by all stakeholders, and can be accessed via the Company's website, a dedicated email address, telephone line, or a mobile app. The Ethics and Safety Committee²¹ is responsible for managing the grievance (receipt, classification, investigation, conclusion, measures, and archiving).

4.2.b Protecting the Workforce

Panama has signed several ILO conventions and treaties related to workers' rights, including Convention No. 138 on minimum age, Convention No. 182 on the worst forms of child labor, Convention No. 29 on forced labor, and Convention No. 105 on the abolition of forced labor. Similarly, the country has developed extensive labor legislation that regulates, among other aspects, workday duration, schedules, overtime, paid leave, minimum wage, family allowances, legal bonuses, and minimum occupational health and safety conditions. ENSA complies with these regulations through its ILR.

4.2.c Occupational Health and Safety

As required by occupational health, safety, and hygiene legislation in Panama²², ENSA has implemented an Occupational Risk Prevention Plan that establishes and formalizes its risk prevention policy; adheres to

²¹ Made up of the CEO and General Manager (person responsible), and the Vice-presidents of Sales, Engineering, Supply and Services, Human Development and Management, and Legal Support.

²² Executive Order No. 2 - Construction Industry Health, Safety, and Hygiene Regulation (of February 15, 2008); Resolution No. 45-588 -2011 -J.D. Panamanian Social Security Fund - General Regulation on Professional Risk Prevention and Occupational Health and Safety (of February 21, 2011); Law No. 66 - Health Code, Chapter II - Industrial Hygiene; Decree No. 68 - Professional Risks.

legislation, regulations, and operating procedures; defines risk prevention objectives; and allocates risk prevention responsibilities and duties at different hierarchical levels within the Company.

The Company has also implemented a Personal and Operational Risk Assessment Manual that establishes guidelines for identifying potentially hazardous situations that may generate industrial or personal safety risks. This manual outlines the Preliminary Risk Assessment (“PRA”), the Safe Job Analysis (“SJA”), and the Operational Risk Assessment (“ORA”). These procedures must be implemented by both Company personnel and contractors that work on the distribution system (installation or maintenance or low, medium, and high-voltage circuits or equipment).

The Company has also implemented an Observation Program for the Prevention of Accidents to increase the level of awareness of hazardous behavior, promote the adoption of safe practices, and avoid accidents to the greatest possible extent. This program includes the following manuals: (i) Personal Protective Equipment Manual; (ii) Stair Use Safety Manual; (iii) Risk Identification and Assessment Manual; (iv) Work in Confined Spaces Manual; and (v) Fall Protection Manual.

With regard to safety measures, the Company has implemented a Safety Manual for Operating Power Lines, of mandatory compliance for all employees and contractors.

ENSA produces job descriptions²³ for various technical and administrative positions, which focus on verifying occupational risk factors and working conditions that directly and indirectly impact employees’ health, in order to propose a series of pre-employment assessments and monitoring.

4.2.d Workers Engaged by Third Parties

The Company’s Code of Ethics and ILR state that commercial relations with its suppliers, contractors, and employees are based on trust, effectiveness, and optimal service provision. ENSA only selects suppliers whose business practices are in line with its principles and core values of teamwork, integrity, service culture, social responsibility, and safety; do not break the law; and do not put its reputation at risk. Similarly, these suppliers are responsible for ensuring that any subcontractors operate in accordance with the regulations imposed by the corresponding legal framework and adhere to the Company’s Code of Ethics and ILR.

4.2.e Supply Chain

To ensure transparent supply chain management, ENSA has implemented a Goods and Services Supply Policy that aims to establish the administrative regulations that govern the procurement process and hiring of goods and services suppliers, as well as subsequent procurement management.

The Company applies general contract conditions to all of its suppliers in the procurement of goods and services, which establish: (i) the obligation to comply with applicable legislation; (ii) the need to observe ethical standards, practices, and other provisions contained in ENSA’s Code of Ethics²⁴; (iii) the contractor’s obligations, such as delivering any requested information or documentation, liability in the

²³ This document defines the job position, and includes all activities, details, skills, and physical and psychological aptitudes required for the role.

²⁴ Any breach of this code will be considered legitimate grounds for unilateral termination of the contract by ENSA.

event of any lawsuit, employee claims, or other legal actions, among others; (iv) the contractor's obligation to comply with ENSA's Occupational Health and Safety Policy and all other applicable professional risk prevention and health and safety legislation; and (v) the contractor's commitment to ensuring the protection of human rights, fighting discrimination, and promoting gender equality, fair treatment, and equal opportunities for its employees.

Additionally, ENSA has implemented a Goods and Services Supplier Performance Evaluation Procedure that establishes and formalizes the controls, activities, and responsibilities for assessing contractor performance in relation to the fulfillment of their obligations during the contract term. This procedure is applicable from the selection of the contractor or supplier to their performance evaluation, which assesses compliance with: (i) applicable environmental regulations, in accordance with the requirements specified in the corresponding contract conditions and legal provisions; and (ii) regulations and obligations associated with the health and safety of the contractor's employees when performing their duties, as well as the contractor's compliance with the Occupational Health and Safety Program.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

ENSA has implemented systems that aim to prevent and reduce pollution, ensure efficient resource use (primarily water and energy), and reduce greenhouse gas ("GHG") emissions. Together with the EMP Group, the Company has implemented climate change mitigation and adaptation measures as part of its Climate Strategy and seeks to ensure climate resilience and carbon efficiency.

ENSA contributes to a circular economy in all its work centers, identifying, assessing, and controlling the generation of inert solid, urban, plant, toxic, and hazardous waste. Similarly, the Company has trained its employees on topics including sustainability and biodiversity; global warming; the protection of endangered species; waste treatment and management; and water treatment and scarcity management.

4.3.a.i Greenhouse Gases

To support EPM's goal of achieving carbon neutrality in its operations²⁵, since 2016 ENSA has produced a GHG emissions inventory for scope 1 and scope 2 emissions. In 2021, ENSA estimated total emissions of 74,865 tons of CO_{2eq}, a reduction of approximately 56% compared to the previous year. In accordance with its Climate Strategy action plan, the main drivers of the GHG emissions reduction were the diversification of its energy matrix with energy from renewable sources and a reduction in the demand for fossil fuels.

With regard to the Project's implementation—given the size of the works to be carried out, their design, and the fact that the construction sites, construction yards, and storage areas are located in close proximity to each other (within a radius of 5 km)—it is estimated that the Project will generate GHG emissions below 25,000 t CO_{2eq}/year during the construction phase.

²⁵ During 2016, the EPM Group reformulated its Large and Ambitious Strategic Goal ("LASG"), incorporating emphasis on care for the environment with the goal of achieving carbon neutrality in its operations from 2025.

4.3.a.ii Water Consumption

Water consumption for the Project (for construction activities, and consumption by employees and resident personnel) is estimated to be low. Drinking water will be supplied by the public water system, while water for construction activities will be supplied by the public system or from authorized sources via water tanker trucks, depending on the volume required. In either case, the Company constantly aims to optimize resource use for its operations and avoid water waste. To achieve this, it has installed waterless urinals and smart sinks, and has implemented pilot projects for harvesting rainwater that will subsequently be used to wash vehicles or for gardening activities.

4.3.a.iii Energy

ENSA has implemented innovative measures to strengthen and improve the efficiency of Panama's National Energy System. Since August 2018, the Company has promoted and leveraged the benefits of clean and renewable energy through the installation and commissioning of solar panels on the roof of its administrative offices and corporate building. In 2021, the Company reduced its annual CO₂ emissions by 210.16 tons through the installation of solar panels.

In 2021, the Company replaced 9,386 sodium lights with LED lights, resulting in an estimated CO₂ emissions reduction of 63 tons per month. As of June 2022, the Company had replaced 10,577 lights on primary roads and 13,694 on secondary roads, generating a CO₂ emissions reduction of 175 tons per month.

The energy that will be required for the Project's implementation will be provided through the public grid, under the framework of a service contract with the authorized distributor. However, the Project's construction works will not generate a significant increase in average energy consumption.

4.3.b Pollution Prevention

4.3.b.i Waste

All of ENSA's facilities and offices have installed a sanitation or wastewater management system, connected to the municipal sewage network or septic tanks. Additionally, mobile sanitation services are provided by an authorized supplier at all work sites.

ENSA has implemented a Non-Hazardous Waste Management Procedure that establishes and formalizes the activities, responsibilities, and controls required to manage non-hazardous solid waste in an environmentally responsible way. In 2021, the Company generated 192 tons of non-hazardous recyclable materials and 1,069 tons of biodegradable waste.

For the Project's construction works, in accordance with the EAMPs approved by environmental authorities, the Company and all contractors shall classify their waste and verify its valorization potential (internal reuse or recycling), separating it and storing it temporarily according to its classification (hazardous or non-hazardous) before proceeding with its final disposal. Non-hazardous solid domestic waste will be delivered to a duly authorized service provider or the municipality's waste collection service to be disposed of in a licensed landfill; hazardous waste shall be delivered to an operator that is duly authorized by the competent authorities, which will be responsible for its final disposal.

4.3.b.ii Hazardous Materials Management

ENSA has implemented a Chemical Substance Use and Management Procedure and a Chemical Substance Spills, Discharges, and Leaks Management Procedure, which establish the activities, responsibilities, and controls required to prevent and manage incidents and accidents resulting from the use of chemical substances in its day-to-day operations. It has also implemented specific procedures for cleaning up oil spills containing polychlorinated biphenyls (“PCB”), as the Company still has equipment that uses this type of oil, which will be replaced in accordance with the Company’s replacement plans. The waste will be managed by a company that is certified by Panama’s Ministry of Health.

The Project’s implementation is not expected to generate large volumes of hazardous waste. However, the hazardous waste that is produced (contaminated materials or empty paint, solvent, or oil containers, etc.) will be classified, handled, and stored temporarily before being collected for final disposal (via an authorized operator), in accordance with the provisions of the EAMPs.

The Company will not transport hazardous solid waste outside of its facilities. This waste will be managed by a service provider that is duly authorized by the environmental authorities, in compliance with current regulations (Resolution No. 1029²⁶). The final disposal of hazardous solid waste will be carried out in compliance with current Panamanian regulations (Executive Order No. 156²⁷).

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The Project’s new works (electrical substations, public lighting networks, or any other facilities) will be designed and built by competent contractors with proven experience in the installation and operation of this type of works, and which adhere to international best practices and comply with applicable Panamanian and international construction and safety guidelines, standards, and codes. Additionally, ENSA includes specific clauses in the general and special conditions of its service contracts to address any type of claim and accepts liability for any damage caused to public, private, or community property within the Project’s area of influence.

4.4.a.i Infrastructure and Equipment Design and Safety

In accordance with the Fire Department approvals for each project proposal, the design of life and fire safety (“L&FS”) systems or facilities for the Project’s electrical substations and electricity infrastructure (where required) shall comply with Resolution No. 725²⁸, which adopts the international standards issued by the National Fire Protection Association (“NFPA”).

²⁶ Resolution No. 1029 of the Ministry of Health, of November 8, 2011, which establishes the requirements and procedures for obtaining the Health Permit for Operations for all economic agents that conduct or wish to conduct activities related to the classification, packaging, collection, transportation, temporary storage, treatment, grinding, neutralization, recycling, encapsulation, recovery, reuse, and final disposal of hazardous waste.

²⁷ Executive Order No. 156 of May 28, 2004, which approves the regulations for hazardous waste landfills.

²⁸ Resolution No. 725 of July 12, 2006, which adopts the standards issued by the *National Fire Protection Association*, NFPA 101, 2003 edition in Spanish, as a life safety regulation; NFPA 13, 2002 edition in Spanish, as a sprinkler system regulation; NFPA 20, 1992 edition in Spanish, as a stationary pump system regulation; and assigns additional duties to the permanent consultation committee for the study, adaptation, and application of NFPA 101 – Life Safety Code.

In this regard, ENSA will certify, through a qualified L&FS system professional, that: (i) all new substations or electricity infrastructure for the Project (where required), whether they have been commissioned or are in the construction phase, were built in accordance with the approved L&FS system designs; (ii) all equipment was installed in accordance with the L&FS system design; and (iii) all L&FS system equipment was tested, in accordance with the requirements of international standards.

4.4.b Security Personnel

As part of its human rights obligations, the Company explicitly includes commitments to respect and promote human rights in its surveillance and security service provision agreements and contracts with private companies and State security agencies.

However, ENSA has yet to decide if it will need to hire security personnel to protect its assets during the Project's construction phase. Should this be required, the Company will ensure that the corresponding service provision agreements include clauses that enable it to: (i) conduct reasonable investigations to ensure that security personnel do not have a criminal record and have not been involved in cases of abuse; (ii) verify the details of the necessary training on the use of force; (iii) verify restrictions on the use of firearms; and (iv) identify the details of environmental and social awareness training, including respect for human rights.

4.5 Land Acquisition and Involuntary Resettlement

Given that the activities conducted by ENSA are associated with a public electricity service, the works for electric power distribution and sale are carried out under a public easement. As such, the Company does not usually need to acquire lots or land.

Nevertheless, prior to the acquisition of land for new electrical substations or any other Project infrastructure that may be required, the Company will verify that: (i) negotiated agreements are carried out in a free market situation and with the informed participation of the active participants; and (ii) there is no physical (relocation or loss of dwellings) or economic (loss of assets or loss of access to assets that results in the loss of income or other means of livelihood) displacement of people, even in the event that they do not have any formal ownership rights over the land they occupy or use, or which enables them to access other resources.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

4.6.a General

For the Project's implementation, the design of each component aims to prevent or minimize impacts on areas with vegetation cover. In the event that vegetation must be removed or altered, the Company and its contractors shall obtain the corresponding environmental permits in advance from the competent environmental authority or municipality.

4.6.b Protection and Conservation of Biodiversity

The site where the Project will be implemented consists primarily of public road easements within urban and semi-urban areas that may interfere with vegetation (tree branches, bushes, grasslands, etc.) that must be removed for safety reasons. As such, in accordance with its construction procedures, the Company will obtain authorization from the competent environmental or municipal authority to clear any vegetation prior to its removal, which must then be disposed of in an appropriate manner.

4.6.c Management of Ecosystem Services

Given that the Project will be implemented primarily within public easements, it is not expected to have a material effect on the ecosystem services in the areas where works will be carried out.

4.6.d Sustainable Management of Living Natural Resources

The Project will not have a material effect on living natural resources.

4.6.e Supply Chain

ENSA verifies that all raw materials or components have been extracted or manufactured in accordance with Panamanian legislation on biodiversity protection and ecosystem conservation. However, given the difficulty involved, it does not conduct this verification for components or materials produced overseas.

4.7 Indigenous Peoples

As part of its Human Rights Policy, ENSA expressly declares its respect for the rights of Indigenous peoples. In this regard, the Company takes the necessary measures when conducting its activities to promote respect for the customs and culture of indigenous peoples located in the areas where it operates.

Nevertheless, given that the Project's concession area includes the Guna Yala and Emberá-Wounaan indigenous regions, ENSA will ensure that the land required to build its substations or other related infrastructure does not affect the land or resources of indigenous peoples, and that, if necessary, this land has been ceded voluntarily by said peoples.

In this regard, prior to the acquisition of land required by the Project, the Company will verify the need to conduct a prior consultation in accordance with legislation on the rights of indigenous peoples in Panama²⁹ and international conventions (ILO Convention No. 169 and No. 107, and the United Nations Declaration on the Rights of Indigenous Peoples).

²⁹ Law No. 37 of August 2016, which establishes the voluntary, informed prior consultation and consent of indigenous peoples; laws which create or organize Panama's various indigenous regions; and decrees which govern their administration, or adopt the Administrative Organic Charter of each region.

4.8 Cultural Heritage

The Project will be implemented in urban areas and previously developed public road easements. Nevertheless, ENSA will adopt a chance find procedure³⁰ for the Project's implementation.

5 Local Access of Project Documentation

ENSA provides additional information on its environmental and social performance on its website: <https://www.ensa.com.pa/gestion-ambiental>.

³⁰ A specific procedure for the Project that outlines the measures that must be taken in the event that previously undiscovered cultural heritage remains are found.