

Environmental and Social Review Summary (ESRS) Grand Bahama Road Rehabilitation Working Capital Facility – BAHAMAS

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

Abaco Caribbean Holding Ltd. (“ACH” 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 Grand Bahama Road Improvement Project (the “Project”).

The Project seeks to reconstruct and rehabilitate approximately 98 miles of key roadways across the West of the island of Grand Bahama (51 miles of highways and 47 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 and BSGC, 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.

To ensure the Project's commitment to respect and protect human rights, its zero tolerance for retaliation, and its commitment to providing and guaranteeing a safe environment for stakeholders to voice their concerns without fear of retaliation, the ESDD process also included the review other pertinent documents.

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 (“ESSP”), since it will likely generate, among others, the following E&S impacts and risks: (i) removal of vegetation; (ii) modification of the soil substrate due to leveling, digging and compacting processes; (iii) OHS risks for workers; (iv) generation of noise and pollutant emissions into the atmosphere; (v) generation of solid waste (both hazardous and non-hazardous) and liquid waste (mainly industrial and domestic wastewater); and (vi) resource use, primarily water and energy. These impacts and risks are deemed to be of low to medium intensity, largely reversible and can be managed via measures that are readily available and feasible to implement in the context of the operation.

¹ The financing will consist of a working capital liquidity line.

² The visits included BSGC’s corporate offices in Nassau, located on the island of New Providence, and work sites in the West of the Grand Bahama, 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

ACH, founded in 2016 as a turnkey service provider, has gained experience through the planning, designing and construction of parks and community centers, and implementing smart technology systems. Most recently, with the support of other companies of BSGC³, it has expanded its services into road paving and construction, land clearing and site development.

The Project consists of: (i) the reconstruction and rehabilitation⁴ of (a) stretch⁵ of approximately 51 miles of the Queen’s Highway, a main asphalt paved arterial road on the West end of Grand Bahama, and (b) about 47 miles of minor roads (collectors and settlement roads); (ii) various other capital and infrastructure works⁶; and (iii) other road and infrastructure safety enhancements such as: (a) the installation of guard rails (where required); (b) the placing of traffic signs and road striping⁷; (c) the adoption of traffic calming measures; (d) the placement of reflective road studs⁸; and (e) the construction of sidewalks (in selected areas).

To achieve the required production of asphalt for the road pavement, the Company will install a new asphalt plant,⁹ which will be located approximately at the midpoint between Eight Mile Rock and the West End, within a rural environment, without any neighbors living nearby, and its main access is by the Queen’s Highway.

In compliance with the environmental regulations,¹⁰ the Company will obtain for the Project (including its asphalt plant) the corresponding Certificate of Environmental Clearance (“CEC”) issued by the Department of Environmental Planning and Protection (“DEPP”) of the Ministry of the Environment and Housing (“MEH”), and will obtain all necessary permits and licenses for its construction and operation.

³ Specifically, the Caribbean Pavement Solutions Ltd. (“CPS”), a specialized company 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.

⁴ Which include, among other activities: 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.

⁵ From Eight Mile Rock to the West End.

⁶ Includes, among others: topographic survey, pavement condition survey, drainage design (where required) and design of road realignment (where feasible).

⁷ Including edge and center lines, stop bars, school zones, pedestrian crossings, etc.

⁸ Road studs (also known as "cat's eyes") are small, reflective markers that help drivers see the road's lanes and edges.

⁹ With a production capacity of 160 standard tons per hour (“sTPH”).

¹⁰ The Environmental Planning and Protection Act dated December 19, 2019; and the Environmental Impact Assessment Regulation, dated September 15, 2020.

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 people.¹¹ 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 its islands, including Grand Bahama, are largely flat, with approximately 80% of the land being less than 1.5 m above sea level. A great portion of its population live along the coast. Poverty rates reveal regional disparities in the proportion of people living below the poverty line.¹²

The Bahamas' reliance on tourism, an industry supported and based on the natural environment and marine resources, its low-lying land, and its high concentration of inhabitants and infrastructure in its coast, 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 patterns.¹³

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 islands' 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

To secure approval of the required CEC and to comply with the applicable environmental laws¹⁰ the Company will develop and implement an Environmental Management Plan ("EMP") specific to the Project and its asphalt plant.

4.1.a Environmental and Social Management System

ACH has some E&S instruments (policies, programs, and procedures) that conform a basic Environmental and Social Management System ("ESMS"). However, the Company will: (i) update and adopt its ESMS to tailor it specifically for the Project; and (ii) assess¹⁴ and update it periodically as part of the continuous improvement cycle.

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)

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.

4.1.b Policy

As part of the updated ESMS, the Company will develop and adopt an Environmental Policy, 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) modification of the soil substrate due to leveling, digging and compacting processes; (iii) production of solid wastes during reconstruction; (iv) increase of OHS risk for workers; (v) vehicular emissions of combustion gases; (vi) generation of hazardous wastes (asphalt, oils and fuel scraps); (vii) production of sanitary wastes; (viii) production of vibrations and noise emissions from machinery, vehicle and equipment use; (ix) potential health and safety impacts for the community related to an increase in vehicle traffic and work fronts; (x) use of resources, mainly water and energy; and (xi) generation of socio-economic benefits to the public, among others. As part of its ESMS, the Company (and its contractors) will develop and implement project-specific E&S and OHS risk and impact matrices for each of the Project's development phases.

4.1.c.ii Analysis of Alternatives

Since the Project will be developed within the 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 Project,¹⁵ its cumulative impact together with the aggregated impact generated by past, present and future projects, is considered marginal. As such, no cumulative impact mitigation plan is required.

¹⁵ 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 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 laws¹⁶ (including several agreements, treaties and conventions signed and ratified¹⁷) and institutions¹⁸ that seek to protect women, the Nationwide Crime Statistics for 2022 released by the Royal Bahamas Police Force records 204 cases of sexual offences¹⁹, 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 and Sponsors.

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. ACH 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 adopted the BSGC's 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. Therefore, 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 it is subject to regular hydro-meteorological hazards including hurricanes, storms and cyclones which occur most frequently from August to November. The low relief of the lands in Grand Bahama make it 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.

¹⁶ 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).

¹⁷ 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").

¹⁸ 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.

¹⁹ These offences include rape (55 cases), unlawful sexual intercourse (139 cases, including incest) and attempted rape (10 cases).

Therefore, the Project's facilities and work sites are highly exposed to coastal floods²⁰ 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 will be designed and located following the guidelines of the Disaster Risk Management Authority and the Local Government Administrator(s), to minimize hurricane impacts. Moreover, it 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 EMP, ACH will prepare and implement a project-specific Hurricane Preparedness Plan that will include pre-hurricane and post-hurricane measures, to prevent, among other actions, that construction materials or equipment be displaced by wind forces or wave action.

4.1.d Management Programs

The Project's EMP will have 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 will include regular 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. These will include: (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 a Health and Safety Officer, who, in compliance with the applicable health and safety laws and regulations²¹ and the Company's own policies, has the task of ensuring the protection, and the health and safety of all workers and outsourced personnel (contractors, subcontractors, suppliers, visitors, etc.).

However, the Company will designate an Environmental Manager, who will be responsible for: (i) implementing the Project's ESMS; (ii) reporting to the Owner's Representative, the DEPP, and any other agencies, the Project's compliance status and its E&S performance; (iii) monitoring all works carried out under the EMP; and (iv) ensuring that any noncompliant activity with the E&S provisions is immediately

²⁰ This indicates that potentially damaging waves are expected to flood the coast at least once in the next 10 years.

²¹ The Health and Safety at Work Act dated February 1st, 2002.

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 adopted BSGC's 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, 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), ACH will develop and implement a project-specific Emergency Preparedness Plan ("EPP"), which will include: (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 authorities²² for health and emergency issues; (v) a list and the locations of the permanent emergency equipment and facilities to attend these natural hazards; (vi) diagrams of 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) procedures for performing 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 regulations¹⁰, the Company will prepare and implement a project-specific Environmental Contingency Plan ("ECP"), which will contain 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 or to the environment.

4.1.g Monitoring and Review

One of ACH'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 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 develop and implement a Monitoring Plan (as part of its ESMS), that will include: (i) a schedule for field monitoring and inspection, describing the

²² Department of Meteorology Office; the National Emergency Management Agency ("NEMA"); and the Royal Bahamas Police Force.

frequencies²³ and timing of such events, as well as a list of the environmental parameters to be surveyed; (ii) the location of the monitoring sites; (iii) a description of the methods for data collection; (iv) a description of the 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 prepare²⁴ 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

ACH has adopted BSGC's Stakeholder Engagement Plan ("SEP") that contains guidelines to: (i) ensure effective communication and collaboration with relevant stakeholders; (ii) build and maintain their trust; (iii) ensure transparency in project planning and execution; (iv) address and mitigate their concerns or issues; and (v) foster positive relationships with them and the local community.

4.1.i External Communication and Grievance Mechanism

4.1.i.i External Communication

ACH has adopted BSGC's External Communication Procedure, which outlines the approach for managing all forms of external communication (press releases, social media posts, public statements, marketing materials, official reports, and any other communication directed at external audiences) and ensuring consistency, accuracy, and alignment with the Company's values and strategic objectives.

4.1.i.ii Communities Grievance Mechanism

ACH has adopted BSGC's External Grievance Mechanism ("EGM"), an instrument designed to address and resolve concerns or complaints raised by the community and other stakeholders (road users, government agencies, NGOs, and other interested parties) in a timely and fair manner and through a structured process that guarantees non retaliation and, when needed, confidentially for its users.

4.1.j Ongoing Reporting to Affected Communities

In its website²⁵, ACH and the Sponsors provide information about their operations and projects. Also, through its SEP the Company will furnish the communities and anyone who will require regular reports on its E&S performance.

²³ The Company shall report the findings of all monitoring to the Engineer at the monthly meetings, in an appropriate format.

²⁴ Either internally (internal audit) or through an independent external E&S expert (external audit).

²⁵ <https://www.bahamasstriping.com/home>

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

ACH has adopted the following BSGC's policies: (i) the Accommodation and Provision of Basic Services Policy; (ii) the Gender Diversity and Inclusion Policy; and (iii) the Child Labor and Forced Labor Policy.

Using this policy framework, as part of its ESMS, the Company will develop, adopt and disseminate to all direct and contracted workers an Umbrella Human Resources Policy that 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 well regulated in The Bahamas.²⁶ In alignment with such requirements, the Company 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 HR Department has the responsibility for implementing age verification procedures and maintaining employee records.

The Company, following the requirements contained in the applicable labor laws,²⁷ will develop and implement an Internal Labor Rulebook ("ILR"), which will set 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.

ACH 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 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

Following the local applicable legislation, ACH acknowledges the workers' rights to associate in workers' organizations and to be part of them, respecting and accepting all the responsibilities derived from the

²⁶ 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.

²⁷ Including the applicable treaties, regulations and principles as established by the International Labor Organization ("ILO").

related laws, including the international treaties and conventions the country has signed with the International Labor Organization (“ILO”).²⁸

ACH will adopt BSGC’s Workers’ Organization Agreement, which: (i) outlines the framework for the recognition, rights, and responsibilities of workers’ organizations within the Company; (ii) aims at ensuring fair and effective representation of workers; (iii) fosters a collaborative working environment; (iv) supports the Company’s overall goals while upholding workers’ rights; (v) comprehends all direct or contracted employees; and (vi) recognizes any worker organization, the role it plays in the employee relationship, 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). In addition to fulfilling these provisions, the Company’s Gender Diversity and Inclusion Policy establishes other principles such as: respecting individual diversity and equity; proceeding with justice, equality and impartiality; seeking a positive and inclusive social impact; adopting a zero tolerance posture towards any type of discrimination, bullying, abuse or harassment at work; and 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

ACH will adopt BSGC’s 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 for a worker to report or complain about any inappropriate conduct, ethically questionable behavior or any breach of the policies and values of the Company is by submitting a direct or written complaint to its immediate supervisor or to the HR Department. Therefore, the Company will develop and implement an Internal Grievance Mechanism (“IGM”) or “Whistleblower System”, that will integrate various forms to capture worker grievances and claims through additional channels (email, the website, the employee portal or the dedicated phone line) to those already in place. The IGM will also: (i) ensure anonymity (when requested) and confidentiality; (ii) prohibit any retaliation against those who use it; and (iii) should any labor-related investigation be initiated by the relevant authorities, provide them with information about the case.

²⁸ 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.

4.2.b Protecting the Workforce

ACH, aligned with legal labor obligations in The Bahamas,²⁶ 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

ACH will adopt BSGC's Occupational Health and Safety Plan that outlines procedures and policies designed to: (i) ensuring compliance with local regulations²¹ and international best practices, and (ii) preventing workplace accidents, injuries, and illnesses, ensuring a safe and healthy working environment. The plan, applicable to all employees, contractors, subcontractors, and stakeholders, 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 Project 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

ACH does not discriminate against employees based on disability and complies with the regulations for the inclusion of people with disabilities.²⁹

4.2.e Workers Engaged by Third Parties

All ACH's business rules, policies and procedures must be followed by all supplier, distributor, agent, contractor, or any other employee engaged by third parties working with or for the Company. This obligation is supported by specific clauses included in the corresponding contracts.

4.2.f Supply Chain

Through its Child Labor and Forced Labor Plan ("CLFLP"), ACH promotes the respect for human rights in its own operations and all throughout its supply chain. In this regard, the Company enforces all of its suppliers to comply with the applicable legal labor regulations, including the prohibition of child³⁰ and forced labor,³¹ and refrains from using any product or service that might have been produced or extracted using child or forced labor. To ensure the latter, the Company requires its suppliers to provide a written affidavit of such condition.

²⁹ Persons with Disabilities (Equal Opportunities) Act 2014.

³⁰ ILO Convention 138 on minimum age and 182 on worst forms of child labor.

³¹ ILO Convention 29 on forced labor and 105 on the abolition of forced labor.

Nevertheless, ACH will prepare and implement a Sustainable Purchase Policy that: (i) regulates the acquisition of materials, equipment and services; (ii) ensures safe working conditions; (iii) minimizes environmental pollution; (iv) fosters a rational consumption of natural and energy resources; (v) requires 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; and (vi) when necessary, allows the Company to impose sanctions to those suppliers that do not comply with these principles.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Even though 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, greenhouse gas (“GHG”) emissions for the Project construction phase could exceed 25,000 tons of CO₂ equivalent per year (“tCO₂eq/year”). Therefore, ACH will: (i) conduct an Annual GHG Emissions Inventory for each Project facilities and road improvement activities to quantify (using the methodology developed by the Greenhouse Gas Protocol Initiative³²) direct emissions from fuel (Scope 1) and electricity (Scope 2) consumption, and those generated by the transportation of services contracted to third parties (Scope 3); and (iii) also report annually on the variation in results with respect to the base year (first full year of work), explaining the probable associated causes.

4.3.a.ii Alignment with Paris Agreement

Based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach³³, the Project is considered aligned with the Paris Agreement.

4.3.a.iii Water Consumption

During the construction and improvement works, water consumption at the Project sites will not 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, ACH, in accordance with its environmental commitment, will implement measures such as: (i) replacing obsolete or broken water storage or distribution devices with state-of-the-art technology to reduce consumption; (ii) perform leak detection programs; and (ii) undertake water use awareness campaigns.

³² 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.

³³ Document GN-3142-1.

To minimize the use of the resource, the operation of the asphalt plant will include closed loop systems.³⁴

4.3.a.iv Energy

Energy on the construction sites will be mainly supplied through diesel fueled generators and solar powered lights and batteries (especially the road safety signs used at night). Even though the amount of energy to be used is not expected to exceed the historical average consumption values, ACH will reduce its electricity consumption, through: (i) the progressive installation of LED lighting fixtures;³⁵ (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.

4.3.b Pollution Prevention

4.3.b.i Emissions and Air Quality

The Project construction and rehabilitation activities generate some noise, vibration and particulate matter (PM₁₀ and possibly PM_{2.5}). However, the Project's EMP will establish measures to minimize the production of emissions and dust through good practice techniques and by 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 will have 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 its gas emissions.

4.3.b.ii Wastes

ACH currently separates, classifies and temporarily stores the solid waste produced at its facilities and work sites,³⁶ and has an authorized external manager (approved by DEHS³⁷) for the removal, transfer and final disposal of non-hazardous solid waste.

The Project's EMP will have a Waste Management and Disposal Plan that will include 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 regulations³⁸. In addition, the Company will conduct awareness campaigns for its suppliers on issues related to the use of single-use waste and integrated waste management.

³⁴ The water used in the wet scrubber system, drains with the particulates into holding ponds, where these particulates settle and the water is then recirculated through the system.

³⁵ LED (Light Emitting Diode).

³⁶ 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.

³⁷ Department of Environmental Health Services ("DEHS") of the Ministry of Environment and Natural Resources.

³⁸ 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).

ACH 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 legislation,³⁸ will report on the generation, storage, handling and transportation of the hazardous waste generated, as well as the records of the companies that will handle it.

The Project's Waste Management and Disposal Plan will include 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 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 will also set environmental KPI for waste generation, and will list the activities, resources, people responsible, estimated completion date and status information for managing such waste.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

The Project facilities (mainly the asphalt plant) will be built by competent and recognized contractors using to such end international good practices and meeting the applicable national and international construction and safety guidelines, standards and codes.

ACH will execute the Project and operate its facilities with the best applicable environmental, social and OHS practices. Therefore, the Project's engineering, construction and procurement contractor ("EPC") contract will have a specific sections detailing provisions for the protection of communities, protocols for emergency response (rescue, evacuation, and fire brigades), coordination procedures with external authorities²², and a list actions to be taken in case of any environmental emergency (leaks, spills and fires or explosions) that exceeds the Company's response capacity.

ACH, in line with its External Communication Procedure and through its Health and Safety Officer and Management, will explain to the communities all the provisions to prevent and handle potential contingency or emergency situations, including an explanation of 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, ACH will have a full business and liability insurance policies, which will cover any type of damage to the property within the facility, 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 Grand Bahama. To safeguard motorists during the execution of the Project, the Company's Traffic and Road Safety Plan within the EMP, will foresee 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

ACH's facilities and work sites will install equipment for detecting and containing leaks and spillages, fire-fighting systems, and emergency communication systems, that are in line with the national requirements.³⁹ However, the Company will develop and adopt a Fire Management Plan for the Project's asphalt plant, and after its 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.

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 are to be hired, the Company will use the principles of proportionality and good international practice⁴⁰ 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 way⁴¹ 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

Although the island of Grand Bahamas has three national parks (the Lucayan National Park, the Rand Nature Center and the Peterson Cay National Park), none of them are within the influence area of the Project.

The predominant ecosystems zones within the Project's area of influence are: (i) the Pine Forest, mainly composed by the Caribbean pine (*bahamensis var.*)⁴² which is actually the most common tree on the island, covering 50% of the land mass, and endemic to only four of the islands of The Bahamas; (ii) the Blackland Coppice, which is a zone formed by decomposing leaf matter inside the not so dense Pine Forest, that nurtures indigenous Fig trees, Dogwood, Lancewood, Gumbo-Limbo and Satin Leaf trees⁴³, whose foliage shade makes a perfect habitat for various ferns, bromeliads and orchids; (iii) the Rocky

³⁹ The Health and Safety at Work Act (2002).

⁴⁰ Including practices consistent with the United Nation's ("UN") Code of Conduct for Law Enforcement Officials

⁴¹ Although there could be a road realignment, the Company will locate these improvements only where Government owned land is available.

⁴² Common in this ecological zone are also the Agave or Century plant, and Palmetto.

⁴³ This Satin Leaf tree produces a dark red edible fruit that migratory North American birds feast on in late winter.

Coppice, which is a transitional zone between the Beach or Shoreline zone (eventually some Mangrove Swamp) and the Pine Forest, frequently flooded at high tide and distinguished by limestone outcrops and an abundance of Ming, Mahogany and Red Cedar trees; and (iv) Beach or Shoreline zone, that features both sandy strands and coastal rock formations, and is distinguished by plants that tolerate the harsh environment of salt and wind (among these plants is the Sea Purslane, the Sandfly Bush, Bay Marigold, the Bay Lavender and the Bay Cedar).

However, as the Project will be developed within the existing road's right of way in previously disturbed areas (trimmed, 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, ACH will make reasonable efforts to guarantee that all construction materials to be used in the Project have been responsibly sourced.

According to the Work Plan, 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; (ii) prioritize the use of areas that (a) are near the road alignment, (b) have already been cleared, (c) present some natural or anthropic degradation and (d) 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).

4.7 Indigenous Peoples

The earliest inhabitants of Grand Bahama Island were Siboney Indians (over 700 years ago), who were vanished and replaced by another Caribbean group, called the Lucayans (a branch of the Taino or Arawaks descendance, who migrated to the Bahamas from the West Indies). However, within two decades after Christopher Columbus landing in 1492, the Lucayans societies were also essentially vanished. Since the early 1650s the island has been largely occupied by British settlers⁴⁴. 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

ACH and the Sponsors, provides commercial information at the following website: <https://www.bahamasstriping.com/home>

⁴⁴ Minority Rights Group International, World Directory of Minorities and Indigenous Peoples - Bahamas, 2007, available at: <https://www.refworld.org/docid/4954ce0b30.html> [accessed 18 May 2023]