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ACP
Autoridad del Canal de Panamá

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Board of Directors

Dani Kuzniecky, President
Abel Rodríguez Cañizales
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The year two thousand and seven, for the Autoridad del Canal de Panama (ACP), closes with facts and figures that demonstrate cost-effective and efficient management, striving for “being a driver of the country’s socio-economic development in complete integration with society,” as it is written in its strategic destiny.

The funds contributed to the National Treasury, for net tons and public service fees rose to B/. 360.6 million in fiscal year 2007 (41.8 percent more than the B/. 254.4 million from fiscal year 2006) which added to the B/. 486.4 million in payment of surpluses to the National Treasury and totaled B/. 847.0 million transferred to the Panamanian Government. This is 48.7 percent more (B/. 277.3 million) than the B/. 569.7 million transferred the previous year. Between FY 2000 and 2006 these contributions present a growth rate of 26.1 percent.

Total transits increased from 14,194 to 14,721, representing 3.7 percent compared to previous fiscal year. The canal water time (CWT) decreased 7.4 percent compared to fiscal year 2006 and booking system usage was 95.2 percent, an increase of 1.7 percent when compared to the 93.5 percent for fiscal year 2006.

Another important historical event were the September 3rd detonations on Paraiso Hill, which marked the beginning of the works of the Panama Canal Expansion Program and the construction of a third set of locks. This was done in the course of the historic mandate of the Panamanian people by means of a referendum conducted on October 26, 2006 and ACP was assigned the responsibility of carrying out the job.

Full scope promulgation of the Ten (10) Global Compact principles continues, as a result ACP’s membership since 2002, keeping communication channels open with all interest group members and supporting ACP’s corporate social responsibility definition: “A business management model that integrates the company’s management, shows respect for the values and ethical principles, workers, community, and the environment, for the welfare of present and future generations of the country.”
**WORLD LEADER** in services for the maritime industry and sustainable development for the conservation of the Panama Canal Watershed.

**CORNERSTONE** of the global transportation system and driving force for the progress, development, and growth of Panama.

**MODEL** of excellence, integrity, and transparency in our conduct; committed to the integral development of our human resource team.

**OUR BUSINESS.** This enterprise is in charge of operating, maintaining, and improving the Panama Canal so that it remains the route of choice for our customers. We are the exclusive administrators of the Canal’s patrimony and do so in a manner that is profitable, efficient and competitive, with excellence, quality and transparency, while guaranteeing prompt, dependable, safe and uninterrupted interoceanic transit. We invest in training and technology; we grow in order to strengthen the corporation’s competitive position and assure future viability. We manage and conserve the Canal’s water resources and participate actively in environmental protection, as well as in the sustainable development of the Canal watershed.

**OUR COUNTRY.** We bring wealth to Panama and contribute with our efforts to the nation’s welfare, development and progress, and to an improved standard of living for all Panamanians.

**OUR CUSTOMERS.** We build lasting relationships with our customers, understanding and anticipating their needs, and offering quality service.

**OUR PEOPLE.** We recognize that the Canal worker is the most important resource in achieving service excellence. We recruit and promote the very best. We value diversity and encourage teamwork, while continuously training our people, creating the opportunities for all individuals to contribute, learn, grow, and progress based on their merits, and to be fairly compensated for their contributions.
Dear Canal friends,

The inauguration of the Panama Canal, 94 years ago, made the centuries old dream of joining the oceans and reducing distances a reality. The tenacity and momentum of various human beings ended with this great engineering task in order to serve world commerce.

In the same line, almost a decade ago, began the dream of incorporating to organizations daily language concepts such as social equity, speakers, triple line results, corporate philanthropy, responsible marketing, organizational community and others that were part of the new tendency in favor of sustainable development and the new way of doing business of 21st Century businesses known as Corporate Social Responsibility (CSR).

In the meantime, the dream of many generations of Panamanians of taking total responsibility for the operation, management, and control of the interoceanic way became true. All of this by creating norms and regulations for its organization, operation, and modernization, in order to make it efficient, cost effective, and the cornerstone of the country’s human and social economic development, without discrimination, for the participation of men and women. The application of these concepts can be observed in all the actions that are undertaken in our daily routine, all of which are present within the legal framework, vision, mission, strategic destiny, and the interaction with all and each one of the members of our interest groups.

As Panama Canal collaborators, our strategic destiny is: “To be promoters of sustainable growth and development completely integrated with our society.” As an important element of national development, we feel responsible for bringing out a growing generation of economic contributions that benefit the country by taking advantage of our geographical position, all in harmony with the three vertexes of CSR: society, environment, and economy. We reaffirm our commitment of preserving the Panama Canal’s basin through continuous and constant actions that favor the region’s sustainability; preserving by this means the water supply for human consumption as well as for the Canal’s operation.” We also brought forth strategies to promote the preservation of the environment in all its aspects such as caring for our forests, monitoring...
the vegetation cover, approaching the surrounding communities, expanding
the reforestation program under the concept of environmental economic
incentives, and the development of the environmental restoration for erosion
control in the Canal’s operation areas.

After the Panama Canal Expansion Project was approved by referendum
on October 22, 2006, we as collaborators have understood our new
responsibility of building one of the most important infrastructure of the region,
due to its impact on international commerce, while maintaining the Canal as
an efficient, secure, and cost effective service.

All of this gives us great challenges and we know it is not an easy task.
To undertake it, we are confident that we count with a dedicated, capable,
and committed workforce that knows it is part of the world’s most strategic
resource, and is willing to do it and to do it well. This has been achieved
through constant polite communication and the organization’s commitment to
provide the resources, tools, and labor practices that guarantee a healthy,
secure, equal opportunity, trustworthy, and fair working environment that
provides collaborators professional and personal growth opportunities.

The scope of what we have just previously presented demands for us to
improve every day to ensure a sustainable growth and contribute to develop
a country with vision for our children and future generations. Supporting
this, we are committed to continue the organization’s corporate management
conciliation of interests with the values, ethic principles and social sustainability
through continuous support and the adoption and promulgation of the ten (10)
principles of the United Nations’ Global Compact.

Before presenting the pages of our 2007 Sustainability Report, we want to
remind you that dreams have no limits and making them come true depends on
each and every one of us. Let’s dare to dream with a better world, let’s commit
with the future and we will see that with each and everyone’s contribution, we
will have the opportunity to continue writing our history.
Corporate values

Honesty
• We are honest and straightforward in sharing our thoughts and feelings, the sincerity of which we demonstrate by example.
• We do not tolerate actions that infringe upon the law and our regulations.
• We do not allow abuse, misuse, or misappropriation of corporate property.
• We report abuse of corporate patrimony and resources and manipulations of the system to circumvent its objectives.
• We communicate respectfully and share information, knowledge and experience in a clear and forthright manner within the corporation.

Transparency
• In our work, we adhere to the corporate code of conduct and ethics.
• We show integrity in and are accountable for our decisions and deeds.

Competitiveness
• We are committed to attain the highest level of efficiency and productivity in each and every activity through our best performance.
• We add value to our customers.
• We measure our work against the highest international standards of quality and efficiency.
• We make the best use of our resources and we evaluate each investment according to the corporation’s best interest.

Loyalty
• We are people of vision. We are demanding of ourselves and committed to the organization’s strategic efforts.
• We believe in promoting change for the well-being of the corporation and we act accordingly.
• We join efforts to achieve the organization’s strategic goals.
• We are motivated by a deep love for Panama, and focus on serving the nation.
• We are sensitive to the expectations of our human resources and seek an adequate balance between their needs and those of the corporation.

Responsibility
• We manage and safeguard our nation’s most important legacy.
• We contribute to and participate in the achievement of the corporation’s goals.
• We accept the consequences of our decisions and actions.
• We are committed to excellence as a personal as well as corporate duty.

Reliability
• We keep our promises and we do not make promises we cannot keep.
• We satisfy our customer’s expectations the first time and every time.
• We dedicate ourselves to each customer as if he or she were our only customer.
• We respond swiftly to our customers’ needs and will not rest until they have been satisfied.
Commitments CSR-ACP

ACP Strategic Destiny

“Be the promoter of growth and development of the country completely integrated with society”

Employees: Ensure welfare work, provide opportunities for growth and development of employees and strengthen ACP’s ethical culture.

Environment: Promote sustainability of environmental resources of the Canal watershed.

Community: Contribute to the integral social development of communities through the transfer of knowledge and the participatory aid of the organization.

Customers: Improve relations with customers by providing a safe and reliable service, keeping the communication channels open.

Suppliers: Promote diversity in the contractual process, supervising compliance with suppliers in terms of quality and ethical conduct.

State: Maintain contributions to the National Treasury and promote the sustainable development of the country. Contribute to the country through effective integration.
On October 22, 2006, through national referendum, the Autoridad del Canal de Panamá (ACP) received a positive vote from the Panamanian people as a product of the trust and respect earned as a company, and was authorized to launch the implementation of the biggest project undertaken in the history of the Canal: the Panama Canal Expansion Program at a cost of approximately B/. 5.2 billion.

The Board of Directors requested an immediate and final revision and adjustments to previous studies and proposals submitted by consulting firms, and based on the outcome of these new assessments and analysis, they approved a new organizational structure for the ACP on December 26, 2006.

The new structure resettled core business and support activities looking for optimal ways of carrying on processes and a greater integration among them. It succeeded in leading the company from a structure based on eight (8) departments and three (3) primary offices to a new structure consisting of five (5) departments and three (3) primary offices.

A team of nearly 300 employees from several departments made adjustments and facilitated the process so that on September 30, 2007, the last day of fiscal year 2007, all information systems operated under the new structure.

Through this effort, the ACP fulfilled the challenge of operating under an activity focused structure inherent to the safe and efficient transit of ships and in the meantime managing the project with the greatest impact on our country in the coming years: the Canal Expansion.
Employees

Aware that the workforce is the main engine that drives our actions and leads to results like those included as part of this publication, the organization is committed to carry on the integrated management of human resources including, their professional and personal development, with the intention of achieving commitment from a workforce that contributes to improve aspects such as: work environment, task force confidences, customers guidance services, improvement or innovation of business processes, communication and organization image.

Every year, ACP executes training and development programs for a variety of existing Canal occupations and professionals. These programs respond to different industrial, maritime, and professional activities in ACP. These programs are carried on to ensure the human resources required for current operations and new projects. Proof of this is that for fiscal year 2007, over 130 professionals received extensive training from experts from the University of Texas and CH2M HILL, and 24 received international project management certifications.

ACP’s commitment to its workforce is evidenced through sustainable investment in training programs with a total participation of 90.0 percent. Training and employee development is an indicator of success in order to achieve corporate goals and objectives regarding to human resources and the work environment that is desired within the organization.

Global Compact Principles
1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that there are not complicit in human rights abuses
3. Freedom of association and the effective recognition of the right to collective bargaining
4. Elimination of all forms of forced and compulsory labour
5. Effective abolition of child labour
6. Elimination of discrimination in employment and occupation

ACP Commitment
Ensure welfare work, provide opportunities for growth and development of employees and strengthen ACP’s ethical culture.
Training and development: a means to reach goals …

The organization, as part of the management of its training services and development programs, supports the mission of ensuring the continued development of skills of its workforce by providing a favorable organizational climate and increasing productivity and the well-being – “important pieces for the success of its functions”.

In order to reach this objective, in the year 2007 the new “soft skills” competency model was implemented defining the distinctive and effective behavior for team work and effective leadership. The initiatives that allowed it to become effective were revised and updated to develop the labor force. Likewise, the programs for maritime and technical training were activated and updated.

The monthly turnover rate during the last years has been below 0.3 percent and in 2007 it reached 1.74 percent as a result of the creation of the Retirement Benefits Program. Besides offering a financial benefit to workers who elect to retire upon reaching their retirement age, it promotes generational relieve and development opportunities in diverse areas.

A total of 7,941 workers participated in training activities (86.0 percent of the total work force), with an annual average of 32.0 training hours per worker.
It is important to mention that ACP has an Educational Assistance Program that offers employees incentives for self-development by attending universities, courses, seminars, and technical or professional conferences which are not available in the organization’s internal annual training plan. It is also seeks to increase employees’ performance. For these purpose, ACP reimburses employees partial or total costs for authorized courses they have participated in and completed satisfactorily.

Supporting national development and the Instituto Nacional de Formacion Profesional y Capacitacion y Desarrollo Humano (National Institute of Formation and Training for Human Development - INADEH for its Spanish acronym) a cooperation agreement was signed to guarantee the existence and availability of Panamanian skilled technical competencies which respond to the requirements of regular investment projects and the modernization of the Panama Canal, the Widening Program, and other national projects. This marked the beginning of a series of initiatives that required input of technical experts and ACP human development professionals.

Aware that human capital is the organization’s major asset and seeking mechanisms to increase professional as well as personal development, the ACP manages an Upward Mobility Program in order to offer workers a means to progress in their careers through formal and individualized training, providing the institution with qualified workers in occupations that are difficult to recruit. This is an accelerated training program designed to permit workers to progress within the organization in technical, crafts, or professional fields until achieving the highest level in the position.

The effectiveness of the program is measured by the number of relieve duties performed by those who completed the program in the positions in which they were trained. Of the 134 participants who graduated between fiscal years 2006 and 2008, 76 have had relieve duty beyond 6 months, corresponding to about 57.0 percent of the total number of graduates. Those who have graduated from the program also have the opportunity of being selected for temporary promotions, which today is a measure of the effectiveness of the program in the requesting units. This program also includes employee development in areas that are needed on an intermittent basis within the organization, whereby once they have received the training, they are called to work in those functions, acquiring experience, and receiving higher salaries.
Developing human capital...

The Annual Training and Professional, Industrial, and Maritime Development Program is promoted every year in order to guarantee the availability of human resources and promote the professional, technical, crafts, and maritime competencies of those who are able to respond to ACP’s vision, mission, and strategies.

This program involves designing training programs to update human resources in new technologies, systems, and processes to improve productivity, performance, and general well-being.

The program consists of three areas: Maritime: seeks to activate training programs for maritime personnel and responds to the training requirements generated by the Widening Program and to continue with training programs to update qualified personnel. Industrial: seeks to go on with the leadership role, promotion, and consultancy services for technical journeyman and professional material to ensure a high quality, occupationally safe, working environment and the overall performance for the programs developed by INADEH. All of this is done internally to ensure a workforce and externally for regular work in the present operation of the Canal and for national contractors and foreigners working in the Canal Widening Program. As well as covering the operational requirements of the divisions with technical prominence and any new requirements that may arise. Professional: seeks to develop employees integrally aware of Panama’s social and economic reality, in addition to reinforcing management’s human aspect in the change process.

The Multidisciplinary Program is a voluntary technical-crafts training program that combines various related or complementary disciplines which permit the worker to acquire knowledge and develop skills, assuring higher competitive levels in order to perform tasks that require diverse abilities in a more flexible manner, and increasing efficiency and productivity in the organization. This program offers opportunities to grow within the organization by developing one or several abilities related to the participant’s position or training in a related occupation at a lower or a higher level than the one held by the participant. It consists of two modules: theoretical – practice and hands on training in the field.

EQUALITY AND TRANSPARENCY:
Equal Opportunity Program

ACP promotes equal opportunity employment and all employment applications and employees are treated without discrimination on the basis of sex, race, age, religion, and marital status, as well as political ideology, physical or mental impairment. In the case of sexual harassment and reprisal investigations are carried out objectively and the necessary corrective actions are taken at the lowest level. Preventive programs are offered at all levels in order to prevent discrimination and special emphasis programs are carried out for employees with disabilities as well as and non-violence against women.

The Equal Opportunity Program is a forum or communication channel where employees may ventilate their general problems or complaints, without fear of reprisal, in order to find a timely resolution.

At the end of fiscal year 2007, of a total of 9239 employees, 1149 women participated in the program representing 14.0 percent of the total workforce. There is a total of 135 women in high and mid level positions.
(executives, managers, and supervisors), which represents 12.0 percent of the total positions at these levels and 12.0 percent of the total female workforce in the ACP.

The average age of employees is 45 years for males and 41 for females. The average age of all employees is 44 years. There is no difference in the salaries paid to men and to women in equivalent positions and with the same duties.

In 2007 there has been continued support for the technical table for the standardization and formalization (CIF for its Spanish Acronym) of the International Classification of Functioning, Disability and Health (ICF) in the Republic of Panama. This is an objective that has been included in the Primera Encuesta Nacional de Discapacidad (The National Strategic Plan for Social Inclusion of Handicapped Persons - PENDIS for its Spanish acronym). Law No. 23 of June 28, 2007 created the Secretaría Nacional de Discapacidad (National Secretariat for the Handicapped – SENADIS for its acronym in Spanish), whose responsibility includes the valuation of conditions in accordance with national standards, the issuance of corresponding accreditation on the basis of national and foreign technical and legal instruments, and the provision of statistical indicators, together with Statistics and Census of the General Comptroller’s Office, to collect data related to handicap conditions, in coordination with other institutions. The CIF complements and expands the concept of health beyond the present model and will permit an efficient, effective, and equitable certification that will be utilized by the ACP.

**Priority Placement Program**

The Priority Placement Program facilitates the placement of employees affected by a reduction in force or of a handicapping condition that may require changes to positions for which he or she qualifies at the same, equivalent or intermediate grade occupied at the moment when he or she was affected. It is the medical examining board’s responsibility to determine if incumbent has the sensory, physical, or mental condition to be placed in a position through this program.
Program for administrative permissions for employees with handicapped children.

In compliance with Law 42 of August 27, 1999, regulated by Decree No. 88 of November 12, 2002, employees who are the parents or tutors of handicapped persons will be granted administrative leave, for up to a maximum of 144 hours per calendar year, in order to attend to medical appointments and required treatments, prior to a diagnosis and certification of the Social Security Office, the Ministry of Health, or a medical doctor specialized in the area of the diagnosed handicap. These hours are not charged to the time to which they are entitled for personal matters for their own disabilities. The parents or tutors in this program must present a certification indicating the total time for medical attention, treatment or services appointment, for control purposes. This program supports the development of handicapped persons, their social participation, equal opportunities and quality of life, and the well-being of all ACP employees.

Retirement Benefits Program.

The organization is committed to the present, as well as the future, well-being of its workforce, and it provides orientation through courses, seminars, and counseling to guide and support workers through the retirement process, including proper planning, consideration of a series of social, economic and family related elements and the tools for a successful transition from a working life to a post working life without affecting the quality of life which they have had. In addition, workers who retire at a regular retirement age are offered the option of receiving a payment based on the number of years they worked in the organization and the average salary received during those years. This payment ranges from four months up to a year’s salary. This is calculated on the basis of the average amount received during the five best years and the number of years they have worked in the organization.

In fiscal year 2007, when the program began, the benefits were offered to 367 workers of which 72.0 percent accepted the offer.

Health, well-being and occupational safety

The Corporate Psychology Program offers evaluation and clinical diagnosis, individual and group out-patient treatment, and referral to other programs for workers with substance abuse dependencies or with other emotional or psychological problems that affect their safety, productivity, conduct, and performance. This program also provides consultations, designs and performs marketing investigations, focal groups, measures the work climate and organizational culture, performs evaluations and designs psychological profiles for selection purposes in order to select the best candidates, and performs individual and group training and coaching. In addition to training for primary prevention of mental health and work related well-being disorders, there is participation in special programs designed by the top administration to improve productivity and employee well-being and support to other Panamanian institutions, such as INADEH, the Universidad Maritima de Panamá (Panama’s Maritime University – UMIP) and the Servicio Aéreo Nacional (Panama National Air Transportation Service- SAN), among others. In the clinical services the annual success rate for abuse and substance dependency rehabilitation program is computed by dividing the cases that completed successfully in a year by the number of cases that entered in the program. This is complemented by the supervisor’s written evaluation regarding the conduct and assistance provided during the year previous to the employee’s entrance into the program, and comparing it to the same variable during the year in which he was enrolled in the program. In addition, a survey is also being developed to measure the level of satisfaction for the services received in clinical cases, as well as in the organization and in psychological evaluations. There are general and specific indicators by department and section regarding the workforce climate, satisfaction, and commitment for 2002 and 2004 and partial measurements from 2004 to the present. The emotional impact of the organizational restructuring and the depth of interventions of the program to help workers adapt in a healthy manner to the change and the percentage of execution of the special projects in which we have participated have also been measured.
Health and Well-Being Program

This program promotes and maintains the highest level of employee physical, mental and social well-being, and as such, it performs periodical physical examinations and preemployment examinations to all workers who occupy identified risk positions with the objective of preventing any harm that working conditions may bring to their health. All of this as well as protecting workers against risks that harmful substances may bring to their health, and placing and retaining employees in positions which are adequate for their physiological and psychological conditions. It also promotes by means of prevention campaigns, orientations, and health fairs plans to modify unhealthy habits and lower risks for employees with cardio-vascular disease or with metabolic or weight problem risks, with the help of nutritionists, psychologists, and physical condition specialists.

Safety and Industrial Hygiene Program

The ACP has a Safety and Industrial Hygiene Program with its own safety and occupational health management system. The highest priority is placed on the prevention of loss due to occupational illness, personal injury, property damage, and interruptions of productive processes in activities within Panama Canal facilities, as well as in the transit of ships with dangerous cargo.

There are process indicators for safety and industrial hygiene, and specifically, the incidence rate is monitored and published every month to portray its behavior. This covers activities performed by Canal contractors and other third-party workers. Employees, as well as contractors abide the safety and industrial hygiene regulations according to the Risk Control and Occupational Safety Regulations. Orientation is provided to workers who perform industrial activities and other work who are at risk about safer routines which help reduce accidents and loss. Finally, we contribute towards our main business of transporting cargo from one ocean to another by inspecting ships that carry toxic cargo and inflammable substances, assuring that the cargo safety systems and the ships condition are safe for transit.

Incentive Awards Program

The organization places priority on giving workers recognition and providing awards based on merit for the performance of duties in a manner that exceeds the expectations of their positions, when they perform exceptional or special acts, when they promote or model corporate values, when they are characterized by their great human quality and exceptional professionalism, and when they submit suggestions that are adopted because they represent a benefit for the organization. It also motivates active worker participation in the risk and occupational safety programs by granting safety awards and recognition related to safety in the workplace.

There are several ways in which the organization carries out the Incentive Awards Program:

- Distinguished Service Award: recognizes a history of exemplary service in the Canal.
- Special Act/Service Award: recognizes accomplishments and contributions of great importance and impact for the organization.
- On-The-Spot Award Program: recognizes in an immediate manner worker actions and contributions which have made it possible to reach a goal or complete a project or special assignment.
- Years of Service Award: recognizes workers who complete five, ten, fifteen, twenty, twenty-five, thirty and forty years of work in the Canal.
- Rodolfo Lammie Excellence Award: recognizes annually a worker who has exhibited notorious excellence in performance and human quality.
- Suggestion Program: promotes workers to make suggestions which benefit the organization and are given an award when they are implemented. An incentive campaign has been developed to provide incentives to workers so that they may identify suggestions and share valuable ideas in areas of interest for the organization.

<table>
<thead>
<tr>
<th>TYPE OF AWARD</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-the-Spot Award</td>
<td>2,630</td>
<td>3,420</td>
<td>3,806</td>
</tr>
<tr>
<td>Special Act or Services Award</td>
<td>289</td>
<td>279</td>
<td>414</td>
</tr>
<tr>
<td>Safety Award</td>
<td>866</td>
<td>567</td>
<td>768</td>
</tr>
<tr>
<td>Years of Service Award</td>
<td>1,522</td>
<td>1,687</td>
<td>1,654</td>
</tr>
<tr>
<td>Suggestion Award (implemented)</td>
<td>23</td>
<td>14</td>
<td>25</td>
</tr>
<tr>
<td>Distinguished Service Award</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Rodolfo Lammie Excellence Award</td>
<td>1</td>
<td>1</td>
<td>1</td>
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</table>
The Autoridad del Canal de Panamá, as an environmentally committed company, has achieved significant results while strengthening its practices in the management and protection of natural resources. Primarily those strategies adopted after 2002, when ACP became signatory to the United Nations Organization Global Compact.

As part of its commitment, the organization has the responsibility of ensuring the social and environmental interaction in its area of operations and the Canal watershed. This commitment is implemented in full coordination with the Comisión Interinstitucional de la Cuenca Hidrográfica del Canal de Panamá (CICH) which is responsible for the coordination, implementation and execution of necessary actions aimed at contributing to the sustainable development and integrated management of water resources.

For this purpose, several policies and programs in areas such as education, conservation, and environment protection have been developed, out of which can be highlighted: pollution control and aquatic vegetation, watershed environmental monitoring, medical and vector control, policies and environmental programs establishment that affect the Canal operations, revision and approval of environmental impact studies, development of education material regarding environment preservation, training for residents and teachers, development of an energy saving program, among others.

1998 – 2007

947

Reforested hectares

Global Compact Principles

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

ACP Commitment

Promote sustainability of environmental resources of the Canal watershed
Energy Saving Program

A way to contribute to the preservation of natural resources is through efficient energy use. ACP’s Energy Saving Program enables us to develop plans and actions focused on operational and administrative systems improvement in order to reduce energy consumption throughout all of our facilities. During 2007 our efforts were concerted in West Corozal, where we installed two thermal power units in the Miraflores thermo electrical power plant and various programmable thermostats in several buildings. Together with a new communication strategy and internal awareness conferences, we presented the proposal for a corporate energy savings campaign.

Water Quality Surveillance Program and Monitoring Program in the Panama Canal Watershed (PCW)

Water quality surveillance and monitoring is essential for the effective protection of water resources in the Panama Canal watershed. By monitoring water quality and processes that impact this resource, we support the efficient volume and quality management of the Panama Canal watershed hydric reserve. Program components include: PCW natural water quality surveillance and monitoring of natural waters; drinking water quality surveillance for water produced at Miraflores and Mount Hope plants; and participation in quality follow up activities for wastewater produced by ACP operations.

Just as in 2006, during 2007 we joined forces with the Secretaría Nacional de Ciencia y Tecnología (National Secretariat of Science and Technology – SENACYT), under Execution Agreement No. 2, in order to develop a regular program for Canal Watershed water quality surveillance. On the other hand, we classified water quality in 74 watershed sampling sites with 8 different measures, out of 25 taken outdoors and 17 in laboratory; and implemented chlorophyll-a parameter methodology and ordinary analysis in Alajuela and Gatun Lakes- which allowed the evaluation of lake algae content and primary productivity grade.

<table>
<thead>
<tr>
<th>Year</th>
<th>Thermal generation</th>
<th>Hydric generation</th>
<th>Total generation</th>
<th>% Thermal generation</th>
<th>% Hydric generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2005</td>
<td>384,753</td>
<td>275,249</td>
<td>660,002</td>
<td>58.3%</td>
<td>41.7%</td>
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<tr>
<td>FY2006</td>
<td>520,243</td>
<td>262,118</td>
<td>782,361</td>
<td>66.5%</td>
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<td>FY2007</td>
<td>528,811</td>
<td>337,027</td>
<td>865,838</td>
<td>61.1%</td>
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</tr>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>USA agencies</th>
<th>ACP</th>
<th>Employees</th>
<th>CND * Agents</th>
<th>Casual market</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2005</td>
<td>0</td>
<td>146</td>
<td>0</td>
<td>167</td>
<td>327</td>
<td>640</td>
</tr>
<tr>
<td>FY2006</td>
<td>0</td>
<td>148</td>
<td>0</td>
<td>214</td>
<td>413</td>
<td>775</td>
</tr>
<tr>
<td>FY2007</td>
<td>0</td>
<td>149</td>
<td>0</td>
<td>269</td>
<td>422</td>
<td>840</td>
</tr>
</tbody>
</table>

* Centro Nacional de Despacho

Water quality surveillance and monitoring program

Analysis performed

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>05</th>
<th>06</th>
<th>07</th>
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<tr>
<td>60000</td>
<td>57342</td>
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</tr>
<tr>
<td>30000</td>
<td>*****</td>
<td>*****</td>
<td>*****</td>
</tr>
<tr>
<td>20000</td>
<td>*****</td>
<td>*****</td>
<td>*****</td>
</tr>
<tr>
<td>10000</td>
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</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
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</tbody>
</table>
Emissions Control Program

ACP promotes sustainable management and is committed with enhancing environmental health conditions by controlling facilities and equipment emissions, whether from fixed or mobile sources. Air quality norms have been established, compliance through monitoring has been verified, and recommendations have been made. We have classified fixed and mobile sources that generate emissions into the atmosphere, as well as environmental air quality. During fiscal year 2007 we classified emissions from corporate vehicles and performed environmental air quality measurements in the Atlantic sector as well as in Gatun and Miraflores Locks.

Liquid Waste Discharge Program

ACP has the responsibility of preserving water resources for human consumption. Through this program we intend to protect human health by developing strategies for measuring allowable pollution limits caused by surface and underground liquid waste. During the year 2007 a technical standard was developed for measuring such values, current liquid waste sites were identified, and an environmental impact study for the rehabilitation of the Pacific sector sewage system was elaborated.

Environmental Inspections Program

The Environmental Inspections Program focuses on verifying compliance with established norms and monitoring management plans related to environmental impact studies for projects in compatibility areas and the Canal Watershed. Activities related to this program include: inspections, recommendations, and monitoring of ACP operational units; as well as external inspections for environmental impact studies management plans monitoring of third party projects in these areas.

Monthly average of measurements during fiscal year 2007

<table>
<thead>
<tr>
<th>SITE</th>
<th>POLLUTANT</th>
<th>MONTHLY AVERAGE</th>
<th>Values guides / limits</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Panama</td>
</tr>
<tr>
<td>Miraflores</td>
<td>PM 10</td>
<td>16.8</td>
<td>50/150</td>
</tr>
<tr>
<td></td>
<td>PM 2.5</td>
<td>10.9</td>
<td>10/25</td>
</tr>
<tr>
<td></td>
<td>NO2</td>
<td>16.5</td>
<td>100/150</td>
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<tr>
<td></td>
<td>SO2</td>
<td>14.8</td>
<td>20/500</td>
</tr>
<tr>
<td></td>
<td>O3</td>
<td>36.6</td>
<td>100(8)</td>
</tr>
<tr>
<td>Gatun</td>
<td>PM 10</td>
<td>19.6</td>
<td>50/150</td>
</tr>
<tr>
<td></td>
<td>NO2</td>
<td>12.0</td>
<td>100/150</td>
</tr>
<tr>
<td></td>
<td>SO2</td>
<td>41.7</td>
<td>20/500</td>
</tr>
<tr>
<td></td>
<td>O3</td>
<td>25.0</td>
<td>100(8)</td>
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</table>
Selective Reforestation Program in the Panama Canal Watershed (PCW)

ACP carries out a reforestation program to preserve hydric resources in the Panama Canal Watershed since 1998. The objective of this program is to recover and protect forest cover in order to preserve water resources in harmonious integration with human activities. It ponders environmental recovery through communitarian reforestation using native species in an arrangement that seeks to reproduce nature’s diversity and support biodiversity expansion; all of this together with gradual forest recovery in affected areas, erosion reduction, and surface drainage improvement.

In 2007, 252 hectares were reforested through collaboration and in coordination with institutions and community groups. In Soberania National Park 125 hectares were sown together with the Autoridad Nacional del Ambiente (Panama’s National Environmental Authority - ANAM). In conjunction with the Universidad Nacional de Panamá (Panama State University), ANAM, and local collaborators 85 more hectares were sown in Chilibre’s Ciudad del Árbol, and other 40 hectares were reforested at Altos de Campana National Park and Capira.

Waste Management Program

The effective use of natural resources contributes to the conservation of the environment as it reduces waste generation that has a direct impact on the environment. ACP enforces these practices by means of a material and waste management program and activities such as: metal and wood reutilization; solvent recycling; used oil, and excess ferrous and non-ferrous material commercialization. Although Panama doesn’t have a national policy for waste classification in disposal sites, ACP separates waste material as part of its environmental management policy.

Environmental Division

<table>
<thead>
<tr>
<th>Year</th>
<th>Site</th>
<th>Reforested hectares</th>
<th>Environmental recovery</th>
<th>Community reforestation</th>
<th>Total</th>
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<tbody>
<tr>
<td>1998</td>
<td>Tanque Rojo</td>
<td>14</td>
<td></td>
<td>14</td>
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</tr>
<tr>
<td>1998</td>
<td>Mandinga, Culebra Noreste</td>
<td>14.5</td>
<td></td>
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<tr>
<td>2000</td>
<td>Cucaracha, Culebra Noreste</td>
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</tr>
<tr>
<td>2001</td>
<td>Culebra Noreste, Capira y Alhajuela</td>
<td>12.5</td>
<td>51</td>
<td>63.5</td>
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<tr>
<td>2002</td>
<td>Summit, Capira II y Toabré I</td>
<td>10</td>
<td>40</td>
<td>50</td>
<td></td>
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<tr>
<td>2003</td>
<td>Toabré II y Río Indio</td>
<td></td>
<td></td>
<td>44</td>
<td>44</td>
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<tr>
<td>2004</td>
<td>Mantenimiento</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Gatuncillo, Hule, Tineyones y Cño Quebrado</td>
<td></td>
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<tr>
<td>2006</td>
<td>Ciudad del Árbol y Chagres</td>
<td>50</td>
<td>80</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Parque Nacional Soberania, Ciudad del Árbol, Campana, Capira y Paraiso-Cucaracha</td>
<td>212.5</td>
<td>40</td>
<td>252.5</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>Parque Nacional Soberania, Ciudad del Árbol, El Cacao y Agua Salud</td>
<td>245</td>
<td>80</td>
<td>325</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>577</td>
<td>370</td>
<td>947</td>
<td></td>
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</table>

Waste Management Program

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount of collected paper from FY05 to FY07</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>06</td>
<td>164204</td>
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<tr>
<td>07</td>
<td>151077</td>
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<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Reused oil (in million of gallons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>164</td>
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<tr>
<td>06</td>
<td>154</td>
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<tr>
<td>07</td>
<td>168</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Hidrocarbons collected (in billion of gallons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>30</td>
</tr>
<tr>
<td>06</td>
<td>34</td>
</tr>
<tr>
<td>07</td>
<td>29</td>
</tr>
</tbody>
</table>
Cadastre and Land Titling Program

The Cadastre and Land Titling Program for farms located in the Panama Canal Watershed is being developed based on an interinstitutional collaboration agreement between the Ministerio de Desarrollo Agropecuario (Panama’s Ministry of Agricultural Development - MIDA) and ACP together with the Dirección Nacional de la Reforma Agraria (Agrarian Reform National Directorate - DINRA), works in the titling of rural estates (towns and agricultural areas as well as livestock and forest farms), and with the Dirección de Catastro y Bienes Patrimoniales (Cadastre and Capital Assets Directorate - DCBP) for urban estates (municipal public lands). These works are being performed while maintaining the principles established by the Panamanian Estate which are: comprehensiveness, land access equity, and natural resources conservation.

In 2007 took place the 18th land title hand over in the Panama Canal Watershed former Western Region, benefiting more than one thousand families. Cadastre works were finalized for 1828 rural estates in El Cacao and 212 land titles were subscribed.

Local Participation and Management in the Panama Canal Watershed Program

Local participation and management in community decisions in the Panama Canal watershed is essential for achieving successful water resource management. Through this program ACP serves PCW communities and develops social and environmental interactive diagnostics, defining priority projects by sub watershed, establishing participation structures in the form of local committees, and electing community delegates. In 2007, 25 local committees were established and 507 delegates were elected in more than 16 sub watersheds, incorporating their participation into a broader dialogue structure called advisory boards. These boards facilitate the preparation of sub watershed management plans and involve institutional and political productive actors as well as local civil society.
Environmental Conservation and Employment Education Program

Through this program technical knowledge is provided to a working age population. This includes one hundred thousand inhabitants of the Panama Canal Watershed (PCW), whether they are part of the formal education system or not. The program focuses on developing skills that will enable people to improve their living standards while performing productive and environmentally sustainable activities. During 2007 some 1800 youngsters from 189 communities were trained in technical labor and exposed to environmental issues and cleaner production. More than 55 communitarian projects were carried out such as cable installation in classrooms and dining halls, construction of canopies, sidewalks, fences, dining halls, and classrooms in the Watershed. In addition, more than 60 environmental workdays were carried out.

Environmental Education Program

The Environmental Education Program in watershed school centers is carried out in coordination with the Ministry of Education, and it trains elementary and junior high school teachers from the basic general education centers in the Panama Canal Watershed and surrounding areas. ACP conceptualizes, designs, and distributes didactic tools and organizes environmental awareness workdays through workshops and seminars on subjects related to the Canal and protection of water resources. During the year 2007, the program covered 253 school centers while 168 teachers received training.

Environmental education program

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of benefited students</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>48035</td>
</tr>
<tr>
<td>06</td>
<td>55562</td>
</tr>
<tr>
<td>07</td>
<td>92347</td>
</tr>
</tbody>
</table>

Graduates, according to training centers

- Gonzalillo: 15%
- La Cabima: 7%
- Infoplaza: 7%
- J.C.C. Chilibre: 6%
- Escobal: 24%
- Cuipo: 12%
- Las Cumbres: 29%
Watershed Guardians Program

The Watershed Guardians Program is an environmental education program among institutions focused on strengthening students’ knowledge in order to protect the Panama Canal Watershed. Every year students carry out activities such as water quality analysis, proper solid waste management, and a definite mission depending on educational community needs, conditions, or interests. In 2007, 88 schools on four educational regions were visited and 2970 students and 264 teachers participated.
As a responsible organization, we are convinced that next to our efficient, cost-effective and secure management, operation; it is necessary to allocate resources, effort, and time to carry out programs aimed at social, educational, and cultural actions that help us share with members of the society we serve.

That is why; we care to design programs with significant coverage, to help us be where we can be change agents for our country. This coverage is achieved through sharing knowledge that can somehow help communities develop new skills in order to improve quality of life.

The organization, by giving the opportunity to hundreds of Panamanians, of all ages and places of our national territory, is pleased to know which activities are carried out by the company to all its extension. Likewise, we contribute to the community by giving them the opportunity to access information that is vital for their personal and professional development.

26,542 Panamanians have visited the Canal through educational tours

ACP Commitment
Contribute to the integral social development of communities through the transfer of knowledge and the participatory aid of the organization
Children at the Canal

The program “Children to the Canal” originated as a joint program of the Office of Executive Administration and the Department of Safety and Environment, through the Division of Environmental Administration.

This program gives children, parents, and teachers the opportunity to learn about the Canal and its operations, as well as about other culturally and environmentally interesting sites.

In its first versions this program was aimed at children living in communities within the Panama Canal Watershed which then included the western sector that extended to the region of Coce. In 2007, the program expanded to the whole country.

On the other hand, this program also gives ACP employees the opportunity to become aware and understanding of the social reality of these children’s communities. Overall, the program contributes to strengthening ACP’s ties with the community.

Cultural Summer Program

The Cultural Summer Program began in 2003 as an initiative of the Administration to provide a cultural option and benefit to the Panamanian community, in addition to the economic contributions given to the State.

Over these five years it has showcased a diversity of cultural expressions ranging from the symphonic orchestra to folkloric music, including musicals and popular singers who have interpreted Panamanian music throughout its history. During the last two years the summer program was extended to the countryside, where the locals welcomed the totally free, high quality shows, which were equivalent to the ones presented in front of the staircase of the Panama Canal Administration Building.

The Cultural Summer Program has grown roots with an ever more demanding public, and has become a favorite family activity for each dry season.
The People’s Canal

The People’s Canal is a program structured basically for the education sector, in which senior high school students and teachers of all the country get to learn about the Canal by experiencing it from a short distance. This program is carried out with the cooperation of the Ministry of Education. Along the same lines, and as part of this program, elementary school students come to the Miraflores Visitors Center to see how ships transit through the locks.

Evidence of the interest created by this ACP initiative are the 26,542 Panamanians that have visited the Canal as part of the 319 tours organized by The People’s Canal since the beginning of the program in 2003.

ACP Infocenters

Part of the Panama Canal Authority’s corporate mission is to contribute through its administration to the well-being, development, advancement, and improvement of Panamanians’ quality of life. Responding to the sentiment of the Panamanian people, most of whom consider the Canal to be the country’s most important asset, the Autoridad del Canal de Panama established infocenters in all of the provinces of the country - Bocas del Toro, Chiriqui, Veraguas, Cocle, Herrera, Los Santos, Panama, Colon, and Darien.
Panama has become the country, in Latin America, with the greatest connectivity. More than 80 countries through 144 sea routes are accessed every week through the interoceanic waterway.

The quality and efficiency of the service provided by the Panama Canal are the primary objectives in all facets of activities inherent to the organization. These activities include ship transiting related services, as well as the management processes needed to maintain the Canal operating in a safe, efficient, and profitable manner for world trade service.

As part of its integrated management and value proposal, ACP has made great emphasis on achieving a continuous effort to improve customer service. Therefore, we seek to keep frequent contact with customers and interest group members which represent the different market segments.

Keeping communication channels open contributes to listening and prioritizing our customers needs and turn them into the heart of our future actions and processes, in order to achieve the maximization of services and solutions we can offer.

Fiscal year 2007
14,721
Transits

Global Compact Principle
10. Work against corruption in all its forms, including extortion and bribery

ACP Commitment
Improve relations with customers by providing a safe and reliable service, keeping the communication channels open.
for each market segment, and incorporated requests for price stability until the year 2009, and the creation of a toll per berth for the cruise segment. The proposal was approved in April 2007, after a consultation and public hearing process in which participated clients, exporting associations, and representatives of foreign governments.

ACP participated actively in international forums and conferences, where meetings were held with clients’ representatives and other stakeholders to share details of the Panama Canal expansion project.

The Canal maintains an open-door-policy which promotes the visits of different groups, including representatives of shipping companies, maritime associations, manufacturers and exporters, students, international organizations, trade missions, and government delegations, among others.

In 2007, dignitaries of foreign governments visited the Canal for first-hand-knowledge of the expansion plans and the Canal operation, and some participated in the Expansion’s Ground Breaking Ceremony. Among the attendants were the presidents of Nicaragua, El Salvador, Honduras, Colombia, and Brazil and the former president of the United States, Jimmy Carter, who subscribed the Panama Canal Treaty in 1977. We
also received visits from the Secretary General of the Organization of American States, Jose Miguel Insulza, and the Secretary General of the United Nations, Ban Ki-moon.

In addition, we renewed the Memorandums of Understanding (MOUs) with the main ports of the east coast and the Gulf of Mexico in the United States. These MOUs promote the use of the “all water” route - from Asia to the east coast of the U.S., via the Panama Canal - and allow the exchange of valuable information regarding traffic and infrastructure projects aimed at improving the service rendered to mutual customers. The MOUs are vital considering that 66 percent of ACP’s traffic originates or is destined to the United States of America.

During that period there were numerous visits from clients and other stakeholders who were able to appreciate the operation of the Canal at Mirafores Locks.

The Canal and its interaction with customers

ACP is convinced that communication is fundamental for service improvement. Our web page, www.pancanal.com, offers updated information related to the operation of the Canal. It allows our clients, from all over the world, to obtain information such as dates for lock lanes outages, availability of booking slots, and modifications to Canal processes and systems, among others. It is also the gateway for all activities related to the ship transits through the waterway and is the place where our clients introduce the information required for the transit. In addition, the website provides specific electronic addresses that the client can use to make specific inquiries which will have a prompt response.
Advising the interoceanic route

One of the main forums for the exchange of ideas and information is the Advisory Board, which acts as a consultative body that provides guidance and recommendations to the Board of Directors and the Canal Administration in areas related to best business practices and dealing with the waterway’s challenges.

We maintain direct communication with shipping companies’ representatives in Panama, in order to optimize our customer service by holding periodic meetings to share information related to the Canal’s performance, and working together in improving the efficiency of our processes and operations as well as clarifying any doubts that could arise.

We publish a quarterly customer newsletter to inform our customers of the Canal’s activities. This newsletter is distributed to more than 5,000 representatives of shipping lines, embassies, associations, and academic institutions, among others. In addition, electronic press releases are sent to our stakeholders with details regarding the progress of the expansion project.

Customer visits and customer satisfaction survey

Every two years we visit several of our customers to obtain their views on the Canal’s operational and administrative performance. We are planning a customer satisfaction survey for fiscal year 2009 to evaluate the perception of the service provided by the ACP, directed to local shipping agents, ship captains, and shipping lines. The last survey took place in fiscal year 2005 and it prompted us to increase the availability of booking slots for the transit of vessels and to offer daily reservation slots through a public auction system.
The Advisory Board is composed of recognized professionals with broad experience in the business world and the Panama Canal in particular. This group of advisers represents a solid cross section of world’s transportation, trade, business, telecommunications, construction and development, academic, and the banking sector. The Advisory Board meets, at least, twice a year, and during the meetings, conducted during two consecutive days, the Administration presents topics for the consideration and advice of its members.

Back: Gerhard Kurz, Mikio Sasaki, Philip Embiricos, C. C. Tung, Joe Reeder
Seated: Ernst Frankel, William A. O’Neil (President), Captain Wei Jiafu, Aaron Gellman
Suppliers are an important part in the development of the integrated management business model we seek. Hence the importance of attracting partners to achieve and share our values, and accept our policies on Corporate Social Responsibility (CSR) where the balance of aspects such as economy, society and environment are in exquisite harmony.

Our interaction with suppliers takes place in an ethical and responsible manner, promoting, among them, the application of fair labor standards for their employees. Likewise, we are working on developing a program that allows us to share criteria of high importance for achieving daily business tasks and representing part of the ten (10) principles promulgated by the Organization of the United Nations Global Compact.

Our bidding and procurement process is noted for being honest, upright, fair, and trustworthy, and seeks to streamline processes in complete security with quality products at reasonable prices, delivered in a timely manner with the best contractual terms and encouraging broader competence, impartiality, transparency, and flexibility in the process.

64% Of the awards have been made to Panamanian companies in 2007

Global Compact Principle
10. Work against corruption in all its forms, including extortion and bribery

ACP Commitment
Promote diversity in the contractual process, supervising compliance with suppliers in terms of quality and ethical conduct
The Panama Canal Authority (ACP) strives to maintain leadership, while the driving growth and development of the country, the region and the world.

Due to the fact that the Canal belongs to all Panamanians, ACP exhorts all Panamanian suppliers to participate of business opportunities, through the on-line tender system: http://www.pancanal.com/eng/procsales/buy.html. This online system, is accessible to any person or company, it allows the registration of the proponents, the publication of the procurement tenders in all its phases, including the receipt of tenders submittals and notification of awards. The online-tender system is constantly updated and is designed to ensure transparency and increased participation in ACP procurements.

Our contracting process is certified under ISO 9001:2000. This quality management standard promotes continuous process improvement and customer satisfaction. ACP’s Contracting Division was certified by DNV (Det Norske Veritas) in July 2004, thus demonstrating the high level of commitment to provide a better purchasing and contracting service. This robust and competitive system is subject to audits and controls to ensure transparency, fairness and the successful participation of suppliers, which today are 83% Panamanian.
During this period, The Panama Canal awarded B/. 220.0 millions to Panamanian companies, corresponding to 69.0 percent of ACP total awards. This reassures our commitment to the development of the country and with the most ample and fair competitiveness and high level of transparency in its procurement system to meet the efficiency of the Canal operations.

This system has been successfully acknowledged, to the degree that the Government of Panama used the ACP procurement system as a model for the creation of their purchasing and contracting system, and thus evolving to a homogeneous, less bureaucratic, equitable, and transparent system, allowing the participation of all citizens to a number of business opportunities; and hence, to the country’s economic improvement.

Regarding our purchasing and contracts efforts, ACP has built a faultless reputation for conducting business with honesty, fairness, and transparency, based on ACP’s code of ethics and conduct which is continuously communicated to the labor force, contractors, customers, and Canal users.

During fiscal period 2007, the number of on-line tender proposals was 13,147 compared to 11,183 for the fiscal period 2006. The number of actions proposed thru the Internet was 42,869 for fiscal period 2007 compared to 39,967 for fiscal period 2006.
On October 22, 2006, Panamanians took on the challenge, and in a national referendum granted ACP the responsibility for the expansion of the Panama Canal by building a third set of locks. Subsequently, on September 3, 2007, in a public ceremony, President Martín Torrijos, activated the electronic device that enabled a huge explosion and marked the official start for the execution of the Canal Expansion Program.

During the studies and preparation stage for the proposed expansion, important issues for the environmental feasibility of the project were taken into account. The project complied with Category I, II, and III Environmental Impact Studies (EIA) and determined the potential effects of the works and mitigation measures required. Likewise, the organization undertook the rescue and preservation of the nation’s memory and the footprints that remain to be discovered in the transit route by taking on the responsibility for the rescue and preservation of the historic elements that remain in future work sites. ACP also took on the responsibility of preserving the animal species found within the areas of the different projects. This reaffirms ACP’s commitment to ensure the viability of the entire Canal Expansion Program.
The Panama Canal Authority (ACP) is committed to ensure that the Panama Canal Expansion Program fulfills all environmental requirements and provisions, whether they are local or international. As part of this commitment, ACP performed thorough studies on the repercussions that the Third Set of Locks Project might have on the social and environmental fields; over 23 environmental studies in addition to a Category III Environmental Impact Study (EIS) that was submitted to the Autoridad Nacional del Ambiente (National Environmental Authority - ANAM) were conducted in June 2007, and approved that same year, in November.

Once these environmental impact studies were approved, ACP started to implement all mitigation measures to prevent, reduce, or compensate both the adverse and the positive environmental and social impacts resulting from the Project.

**Ecological indemnity**

One of the first actions taken by ACP was to make the first payments required by law as ecological indemnity for development projects executed by the Panamanian Government. These payments to ANAM cover the removal of 128.2 hectares of intermediate and mature secondary forests in the area of the first dry-excavation projects, and amount to $640 K. These payments will continue to be made as the project progresses, to the effect of indemnifying for the forest loss that will occur during the project construction phase and constitute a way of acknowledging the value of natural resources.

**Ecological compensation**

In addition to ecological indemnification payments, and pursuant to legal provisions in force, in order to compensate for the loss of nearly 500 hectares of intermediate and mature secondary forests including forest areas where the new locks will be built, ACP plans to reforest, in coordination with ANAM, 1,000 hectares distributed among different national parks throughout the country. This amount represents double the amount of hectares of mature secondary forest to be affected by the project. Reforestation of the first 115 hectares of forest will be performed in the Camino de Cruces National Park, in an area predominantly covered today by the so-called Canal stub (shacarum spontaneum). This reforestation will serve to reduce the risk of fires and, since it involves reforested with native species, it also promotes fauna repopulation. Additional reforestation efforts are already ongoing in 30 hectares of the Altos de Campana National Park.
ACP reforestation plans for the next few years (2009-2011) include an additional 855 hectares.

**Archaeological resources**

ACP is aware that, inasmuch as archaeological resources are non-renewable, any type of affectation of pre-Columbian sites will be irreversible; consequently, it has included among the expansion Project’s corporate social responsibility efforts, a series of archaeological studies to obtain an integrated, clear and precise idea of the archaeological and cultural potential related to the sites where the different activities of the expansion Project will be developed. For example, in the year 2004, ACP through The Louis Berger consortium, performed baseline studies that included an assessment of the presence of cultural resources (two on the Atlantic side and 2 on the Pacific side) in the Third Set of Locks Project, as part of the environmental evaluation of the alignment alternatives for the new locks.

The results of this study for the Atlantic Side did not turn out any proof of archaeological and historical material because the area has undergone numerous disturbances from the beginning of the Century due to the construction of the ocean-to-ocean railway, the construction of the Canal, the excavations performed in 1939 for the third set of locks, and the presence of U.S. military bases up to 1999. On the Pacific Side, the study revealed the presence of archaeological elements found during the surveys performed. No cultural remains from the Colonial and Republican eras were identified within the study area.

As a consequence of these environmental evaluations, ACP has developed the following contracts:

- Archaeological survey of the potential alignment for the new locks on the Panama Canal’s Pacific side and survey of the new Borinquen Road - January 2006.
- Archaeological survey and Rescue in South Cocoli 2 deposit sites and the Cocoli River diversion site on the Panama Canal Pacific side - March 2008
- Archaeological survey and research works on the west shore of the Panama Canal-Rousseau site - May 2008

The environmental impact study includes mitigation measures for the control of the affectation to known and unknown archaeological sites. Likewise, ACP will coordinate with competent authorities all necessary measures to rescue, protect, and safeguard all cultural, patrimonial, and historical resources found during the execution of the expansion program.

**Paleontology**

Ever since the French started building the Canal, which the U.S. continued and finished, fossils of great scientific value have been found, mainly in geological formations such as Culebra, Cucaracha, La Boca, and Gatun. The existing Canal was excavated and operates through these formations. Inasmuch as there are paleontological remains within the Canal area, the Panama Canal Authority contracted Dr. Michael Kirby to evaluate all paleontological resources found in excavation sites within the expansion project proposed areas and to determine their possible affectation, in order to mitigate the potential loss of non-renewable paleontological resources during the construction of the third set of locks.
In January 2008, ACP awarded the Smithsonian Tropical Research Institute a contract to conduct studies and rescue paleontological resources in excavation and dredging sites incorporated in the Canal expansion project. The purpose of these services is to comply with the provisions of resolutions by the Autoridad Nacional del Ambiente (The National Environmental Authority – ANAM) by means of which the Canal expansion project’s environmental impact study (EIS) and environmental management plan were approved, according to the requirements and procedures established by ACP through Agreement 116 of July 27, 2006, which requirements and procedures are fully described on the “Technical Manual for Environmental Evaluations” (MaTEA).

ACP will provide additional information with the results of this contract as a contribution for those who are interested in studying the formation of the Panamanian Isthmus 3.5 M years ago.

Wildlife rescue

The Environmental Management Plan for the EIS for the Panama Canal Expansion Program includes a wildlife rescue plan to be executed in coordination with ANAM. This plan shall be implemented prior to and during clearing and grubbing, and land movement activities, in order to prevent affectations to nonmotile or slow motion species (sloths, porcupines, anteaters, among others).

The number of fauna species rescues performed during the first quarter of 2008 is approximately 130, mostly in areas related to the second dry excavation contract for the Pacific Access Channel (PAC 2), which included clearing the forest cover during that period. Among the animals recovered there are 6 crocodiles. If we add the number of animals rescued in the prior quarter as part of the first dry excavation contract (PAC 1) and those rescued so far, a total of 250 animals have been rescued. These animals represent those that may not move by their own means due to their habits and habitats, as opposed to the majority, those that move towards adjacent areas, with optimum conditions for their development.

These animals have been relocated to protected areas with similar conditions as those in their original areas in order to ensure their survival and adaptation to the environment.

Citizen participation plan

The Citizen Participation Plan included in the expansion project considers an extensive consultation and concerns and suggestions resolution process involving the population interested in or potentially affected by the Project. This has granted as much transparency as possible to the Project in order to recognize the different risks posed by the project’s execution to the population and the environment where said population resides and which provides their means of support.

The Citizen Participation Plan has included records of opinions expressed by certain representatives from the civil society; opinion exchange
interviews with representatives from the impact area; and polls conducted among the residents of the communities that might be affected by the project’s execution in a more direct way.

In addition to the previous information efforts (referendum), ACP has included in the environmental impact evaluation process for the projects in progress as part of the Canal Expansion Program - Third Set of Locks Project, the development of a number of citizen participation processes. Below is a summary of the activities developed in connection to these processes:

- **Category II EIS – Land Movements and Grading Works in Cartagena Hill**: Interviews, leaflet distribution, 2 informative meetings with the communities of Pedro Miguel and Paraiso, and the publication of press releases.

- **Category II EIS – Widening and Deepening of the Panama Canal Pacific Entrance Channel**: Distribution of 242 leaflets, 2 information meetings with the residents of La Boca and Diablo, and an informative meeting with business representatives from La Boca, Diablo and Amador.

- **Category I EIS – Rehabilitation of Site T6 Project**: Interviews with community role players and 113 polls applied to residents of Paraiso and Pedro Miguel.

- **Category III EIS - Third Set of Locks Project**: Two public forums, one in Panama and the other in Colon.

The Panama Canal Authority, in order to continue guaranteeing the transparency of the expansion program, has activated a toll-free number and an e-mail address for the benefit of all Panamanians, in order to provide information on the expansion project’s progress and developments, as well as to receive and file complaints and claims related thereto.

The implementation of the telephone line and e-mail address is under the responsibility of the Department of Engineering and Programs Administration, to be coordinated by the Resources Planning and Projects Control Division and the Communication and Documentation and the Environmental Management Sections. It is relevant to indicate that during the period January - April 2008, 27 e-mail messages and 149 telephone calls have been received and tended to.

Another important factor to consider is that the Citizen Participation Process is a dynamic process that must continue throughout the construction activities, as well as during the project’s operation, so that the main concerns of the population regarding the project may be resolved.
## Accomplished challenges

### Environment

- To implement the Water Quality Rate (ICA for its acronym in Spanish) as an water condition indicator.
- To prepare a Sustainable Development Plan and Integrated Management of Hydric Resources for the Panama Canal watershed.
- To implement a definite strategy for the collection and treatment of sewage.
- To implement energy saving guidelines for ACP and develop a diffusion plan for all the collaborators.
- To achieve greater participation of education centers and students in the execution of ACP’s environmental education programs.
- To keep Environmental Management System certifications under ISO 140001 requisites.
- To conclude the cadastre and pre titling program in the west side of the watershed.
- To optimize the use of resources and support material and waste management (recovery of water contaminated with oil and reutilized oil).

### Employees

- To achieve a working environment rate $\geq 100$
- To achieve the workforce’s active participation in the Continuous Training Program
- To have a work related accident rate $\leq 1.60$
- To manage to have a percentage of programmed absence hours out of the total worked hours $\leq 5.25$
- To introduce performance evaluation matrixes for all ACP in the Automated Performance Evaluation System (EVD) up to September 30, 2007
- To continue promoting the equal opportunity employment and the service for employees and applicants without distinction of genre, race, age, religion, marital status, political ideology, physical or mental disability, in case of sexual harassment or reprisals.
- To continue with the program supporting parents or tutors of handicapped persons by means of the administrative leave program.
- To continue supporting the retirement benefits program.
## Community

- To increase visitor participation in the different Canal community related programs
- To promote the use of the Infocenters located in parts of the country, in order to support the well-being, development, progress and improvement of Panamanians quality of life
- To keep Panama’s society participation in ACP’s Cultural Summer Program
- To increase the appreciation of ACP’s management by means of disclosing good business practices such as the Canal expansion
- To improve Panamanian’s perception of how the Canal benefits them by means of national disclosure

## Customers

- To maintain a relative compliance rate for quality customer service of 82% or ≥ 262.8 million tons CPSUAB97
- To comply with 99.2% of our reservation commitment based on the payment return
- To maintain a transit time of (from the first to the last set of locks) ≤ 11 hours
- To develop a new toll structure up to June 30, 2007
- To maintain critical equipment availability at 85.7% for ship transits
- To manage ACP’s broad participation in forums in order to communicate the advance of the Panama Canal Expansion Program

## Suppliers

- To increase the participation of Panamanian businesses by promoting the online bidding system (SLI for its acronym in Spanish)
- To increase efforts to make our contractor and supplier chain conscious of our ethics and conduct regulations
FOR FURTHER INFORMATION

on

ACP and its actions, visit www.pancanal.com
Corporate social responsibility, visit www.unglobalcompact.org; www.wbcisd.org
Global Reporting Initiative, visit www.globalreporting.org
Environmental matters, visit www.unep.org; www.wri.org
Human rights matters, visit www.fidh.org; www.ilo.org

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