



ACP

AUTORIDAD DEL CANAL DE PANAMÁ



2006

PANAMA CANAL AUTHORITY • SOCIAL AND ENVIRONMENTAL REPORT • 2006











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# INTRODUCTION

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As we look in retrospect at the six years of successful operation of the Canal by its Panamanian administration, we feel admiration, pride, and satisfaction for the effective performance of our human resources at managing such a precious national asset.

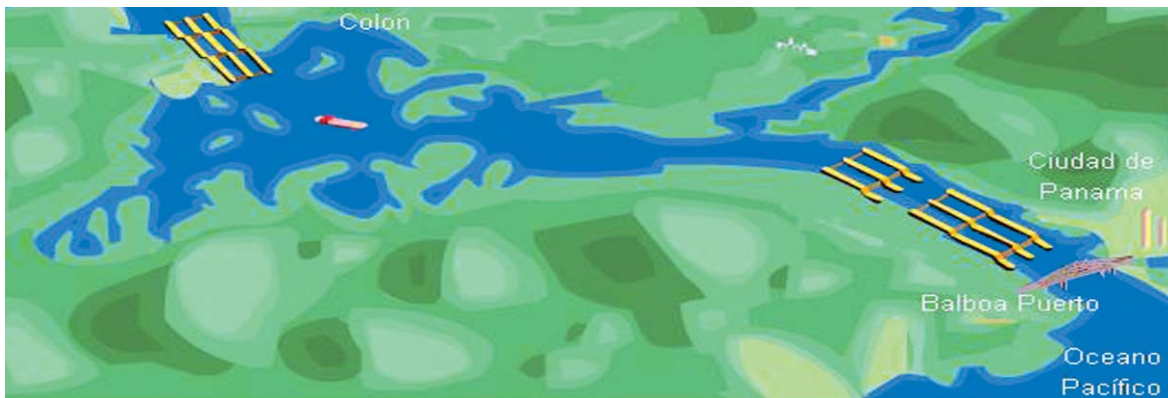
Our daily top priority is to meet the needs of our business partners, and we are amply achieving it by providing them with an expeditious, efficient, safe, and reliable service. We conform to the highest quality standards, update our operational processes based on international regulations, recertify our environmental (ISO 14001) and quality (ISO 9001) management systems, and enforce compliance with established policies. We preserve the environment, respect labor rights, promote corporate ethics, and contribute to the development of the Republic of Panama.

Since the year 2000 to date we have steadily increased Panama Canal profitability and contributed approximately B/.570 million to the Panamanian

Government during fiscal year 2006, 16.6 percent more than the B/ 7.489 million in the previous year. Our excellent financial results, combined with our recognized calling for social and environmental responsibility, are a clear reflection of the corporate values that constitute the basis for our actions.

Being especially aware of our commitment to fairness and sustainable development to the Republic of Panama, we continually undertake activities to support economic growth and improve the quality of life of all who work and live in our country. We possess a corporate model of the highest level that relies on competitiveness, safety, equality, and transparency.

The following summary of activities performed during fiscal year 2006 is based on the principles of the Global Compact and reveals our genuine commitment to serve customers, employees, the local and international community, and our stakeholders - the people of Panama.







M E S S A G E F R O M

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THE CHAIRMAN OF THE BOARD OF DIRECTORS







The incorporation of the Panama Canal to national development policies was always a strategic objective in its transfer to Panama. It had to be so given the leading role the waterway plays in our country's everyday life. This integration has concretely and effectively taken place.

Most of the success achieved by the Panama Canal Authority (ACP for its Spanish acronym) is due to its management model, which has resulted from the special administration regime provided for its organization by national consensus.

At the present time the Canal makes the best utilization of the most strategic of our resources – the country's hemispherical location. Considerable revenues are generated which the Government of Panama allocates to the improvement of the quality of all Panamanians by financing health, education, and housing programs, infrastructure projects, etc.

An outstanding feature of the Panamanian administration has been to turn the Canal into a Latin American model enterprise that is recognized at a worldwide level, by adopting corporate trends and practices that provide ACP with state-of-the-art

systems and procedures certified by the most demanding international standards.

This also explains the policies applied by ACP to structure and govern its performance in the environmental and social fields. The purpose is not just to make a simple declaration of principles, but to make it a conclusive expression of the commitments fulfilled in the organization's day to day practices. Due to the industrial nature of its operations, as well as by the scope of its presence in the country, ACP has marked responsibilities toward the country's environment and society.

This report presents the efforts of the Panama Canal Authority in complying with these responsibilities during year 2006. It highlights the work of approximately nine thousand ACP employees who jointly undertake and meet the goals of the organization and its departments with ingenuity and skill, and who, above all, identify with the purpose of making the Panama Canal a tool to bring to fruition the most heartfelt aspirations of Panama as a country.

*Dr. Ricaurte Vásquez Morales  
President of the Board of Directors  
Panama Canal Authority*







M E S S A G E F R O M

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THE ADMINISTRATOR





The operation of the Panama Canal impacts various aspects of national life in a significant way. Besides constituting a strategic source that allows the Panamanian Government to finance works, programs and social projects, the organization conducts a diversity of activities that extend beyond the scope of its better known operations.

Although the actions performed by the Panama Canal Authority (ACP) during year 2006 in the social and environmental field of its administration are covered in this report, its various fields of action show that it is an agency of the Government of Panama that is governed by clear and binding concepts of social responsibility.

This distinct profile of the Panama Canal Authority is reflected in the policies the organization has developed for the preservation of the environment, the responsible management of water resources both to ensure Canal operations as well as to provide potable water to a great

part of the population, the production of electrical power, and a rigorous energy savings program. All this is performed under criteria to achieve an actual sustainable development.

It is a process directed to obtain benefits from Canal operations that may effectively and concretely reach Panamanian society in its entirety. Such purpose takes on an even greater dimension with the efforts for the successful implementation of the expansion of the waterway, an objective that will define the future of the country over a medium term.

Thus, the actions reported in this document show the serious commitment of the work force of the Panama Canal Authority to serve Panama's highest interests.

*Alberto Alemán Zubieta*  
*Administrator*





THE PATH



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TO SUCCESS







Our corporate business model emphasizes on the excellence and efficiency of service, according to our vision of becoming:

- ✓ A world leader in services to the maritime industry and in a sustainable development for the conservation of the Panama Canal Watershed,
- ✓ A cornerstone of the global transportation system and driving force for the progress, development and growth of Panama,
- ✓ A model of excellence, integrity, and transparency in our conduct, and our commitment to the integral development of our human resource team.

ACP core values are honesty, transparency, competitiveness, loyalty, responsibility, and reliability. All our commercial and labor relations are governed by these guidelines, which do not allow corruption in any of its forms.

We continue to consolidate our efforts to accomplish our corporate objectives: to increase the organization's profitability in a sustainable manner for the benefit of

our country; to expand our services and products and take advantage of market opportunities; to implement business practices that strengthen good corporate governance; to efficiently administer, in quantity and quality, the water resources of the Panama Canal Watershed; and to increase productivity through performance excellence and the well-being of our human resources.

The integral development of all our collaborators is facilitated through training programs, educational assessment and counseling on both personal and professional levels, all of which play an important role. We award outstanding performance with promotions via a merit system and accomplishment of administrative career goals.

Through our environmental and quality management systems, we ensure that all phases of the operation and administration of the Canal are carried out with due consideration to the well-being of our employees by strengthening their safety and health as well as that of the general public. To fulfill our commitment to the preservation of natural resources and energy sources, we adopt environmentally-friendly methodologies and technologies.



OUR



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# PERFORMANCE







The excellent financial results of Canal operations for fiscal year 2006 include revenues of B/.1,494.8 million, with an increase of 23.6 percent over fiscal year 2005. In the same manner, ACP had a net profit of B/.675.9 million, 39.7 percent more than in 2005. This increase in profitability is the result of a strong policy for the control and efficient management of expenses, the ability to set market prices, and a better productivity and utilization of the installed Canal capacity.

Profitability from Panama Canal operations is basic for the sustainable human development of the country, and is ultimately reflected in the quality of life of the population. We acknowledge the utmost importance of providing the best benefits for our employees, and take into account the social and environmental expectations of all Panamanians with regard to the administration of the Panama Canal. For this purpose, we pay special attention to our stakeholders and work together with them to reach sustainability and preserve the environment, so that we may assure better opportunities for future generations.

**HUMAN RIGHTS AND WORK FORCE WELL-BEING**

**Principle 1**

Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.

**Principle 2**

Businesses should make sure that they are not complicit in human rights abuses.

**Principle 3**

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Principle 4**

Businesses should uphold the elimination of all forms of forced and compulsory labor.

**Principle 5**

Businesses should uphold the effective abolition of child labor.

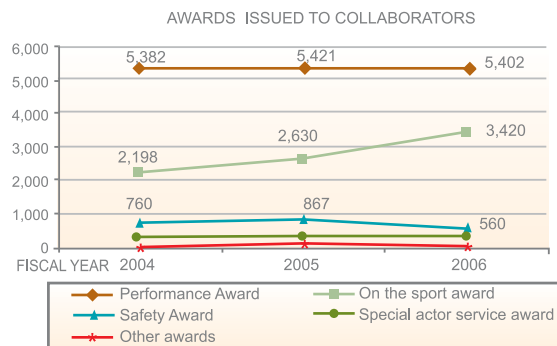
**Principle 6**

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

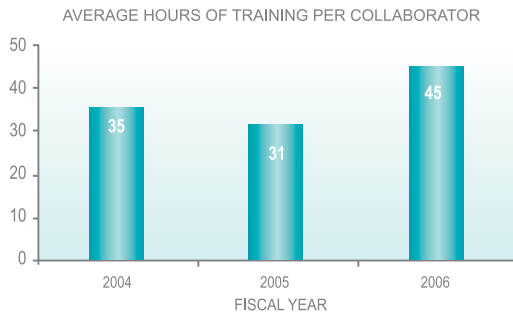
Knowing as we do that our employees are the most valuable asset of our organization, we apply practices that guarantee a healthy and safe working environment, continuous training, and professional and personal self-improvement, equal employment opportunities, an open and respectful dialogue, and freedom of association. On this last aspect, it is worth noting that we focus on revising, updating, and extending five existing collective bargaining contracts.

**❖ Equal Opportunity**

A total of 9,679 awards were issued to our employees, 24.7 percent more than during fiscal year 2005. It is significant that in addition to these awards, a 14 percent increase in promotions was observed as a result of our merit system.



As part of ACP human resource management, we have invested approximately B/.2 million in training our work force of 9,091 employees. Our programs promote equal opportunity and administrative career goals, and outstanding performance is rewarded through a Performance Awards Program.



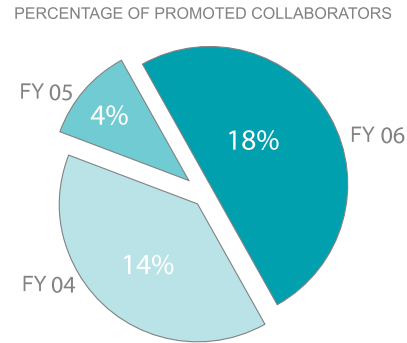
We support a Government program for the inclusion of handicapped persons in hiring programs. To this end, we train our personnel on new policies for the hiring and placement of applicants, and implement a program that grants administrative leave to employees who are the parents or guardians of handicapped children. We have also co-sponsored the International Sign Language Encounter, and provide training support to the staff of the Panama Special Education Institute (IPHE for its Spanish acronym).



Safety inspections.

### ❖ Health and Well-being

Our Work Strengthening Program provides personalized treatment to employees injured on the job to enable them to return to work in the least time possible in a healthy and safe manner. 100 percent of the employees who participated in this program have returned to their regular jobs without limitations.



Our Employee Assistance Program provides advice and consultation services. Treatment is provided at ACP clinics, and preventive health talks, courses, and workshops are held for employees. As part of this program, a general survey for a study on employee satisfaction and commitment was conducted with the participation of 7,231 employees.



Occupational health programs.

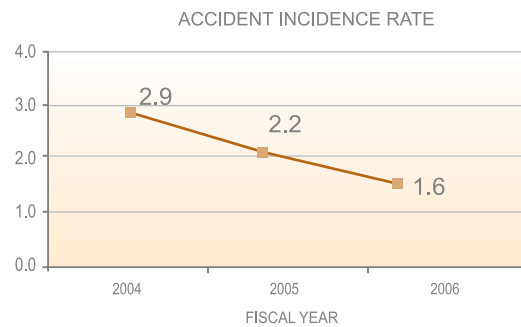




### ❖ Safety and Security

As the safety of our employees and the safety of the Canal are crucial and indispensable, we enforce a strong training policy that emphasizes the importance of industrial hygiene, occupational health, and marine safety. With the implementation of this training policy there has been a drop of 37.5 percent in our occupational injuries and illnesses rate compared to that in fiscal year 2005. The present rate of 1.6 is the lowest on record in the Canal. Also, only 10 marine accident investigations were required from a total of 14,194 transits, 17 percent less than during the last fiscal year. These numbers clearly show the effect of constant employee training and recognition for their daily efforts for performing at their highest degree of excellence, and of our focus on work force well-being and productivity.

With regard to our security policy, the ISO 9001 Certification obtained by the Canal Protection Division supports our commitment to provide safe and continuous transit to all vessels that choose the Canal route. We have also reinforced the security at our



installations and conducted interagency drills under standards similar to the International Ship and Port Facility Security (ISPS) Code.

Security, health, industrial hygiene, and work environment are basic tools for a company's productivity and profitability. Therefore, we actively support our employees' right to a safe working environment, as well as equal employment rights, opportunities, and freedom of association, all of which ensure their health and well-being.



ISO 9001:2000 Certification presented to Canal Protection Division.

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CARING



FOR THE ENVIRONMENT







*Principle 7*

Businesses should support a precautionary approach to environmental challenges.

*Principle 8*

Businesses should undertake initiatives to promote greater environmental responsibility.

*Principle 9*

Businesses should encourage the development and diffusion of environmentally friendly technologies.

As an environmentally committed enterprise, we develop and implement several programs in order to ensure that all aspects of ACP operations are conducted with due protection and preservation of the quality of our environment. We keep concentrating on prevention in order to meet ever-increasing environmental challenges and our commitment of strengthening everyone's awareness of environmental protection in our daily tasks.

❖ **Environmental Policy Standards**

We have implemented an integral policy of conducting regular evaluations, updates, and the enforcement of our environmental certifications and regulations. During this period, a total of 150 environmental surveys were performed at twelve of our Divisions where industrial activities are performed. Also, preliminary environmental assessments have been reviewed to determine what the environmental management plans must be for three other Divisions.

• *Certifications*

Our Environmental Management System under the ISO 14001:2004 standard was recertified, providing us with a framework to achieve a successful environmental performance. This recertification was endorsed by Lloyd's Register Central and South America LTD, a subsidiary of the Lloyd's Register certification society, and was registered by the United States Registrar Accreditation Board, the United Kingdom Accreditation Service, and the Japan Accreditation Board Conformity Assessment.

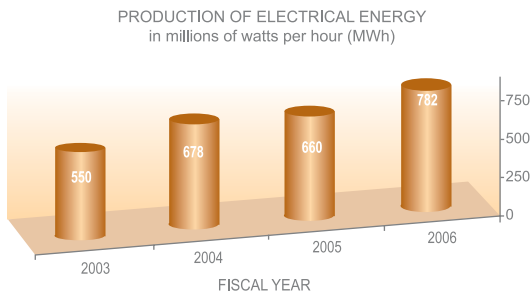


*ISO 14001:2004 Recertification presented to Environmental Management Division.*

• Energy Savings Program

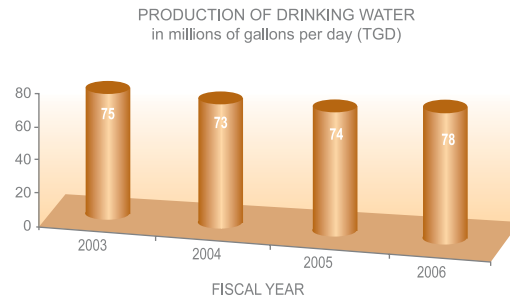
We are promoting energy efficiency in projects by using design and maintenance criteria that minimize system impact and costs. For this purpose, we have consolidated our efforts with a directive on energy savings that entrusts a Steering Committee with the responsibility to approve standards and procedures, enforce the established goals, and recommend mandatory actions. To ensure a safe and productive work environment, we give due consideration to the use of renewable energy sources and/or cleaner production processes for power generation and manufacture and/or repair work at our shops.

In keeping with the need to create employee awareness of the importance of conserving natural resources and preserving the environment, we are conducting energy savings campaigns, and promote them by placing stickers and decals in strategic locations at work sites.



❖ Water Resources Management

We are responsible for the administration, management, use, and conservation of the water resources of the Panama Canal Watershed. On the basis of this mandate, we develop programs to protect this vital resource, operate and maintain infrastructures and facilities for the supply of potable water, electric power, and chilled water system air conditioning. At the request of the Panamanian Government, in 2006 we increased the production of potable water and electrical power supply for the major communities in the vicinity of the Canal, as well as for Canal operations.





### • Water Quality

ACP is encouraging local initiatives for the protection of water resources, and is coordinating the actions required to achieve a sustainable change in Canal Watershed communities by means of an Agreement subscribed with the National Environmental Authority (ANAM) to perform water quality studies, develop and monitor water quality with studies on the basis of hydrological parameters, in order to determine the environmental quality of nine microwatersheds.

In addition, we have selected a Water Quality Index as an indicator of water conditions in the Canal Watershed. This index groups values on a range from 0 to 100. According to studies conducted, we can confirm that the water quality in the Canal Watershed scores between good and excellent. For more information please visit our website at: <http://www.pancanal.com/eng/cuenca/>.

We have published our 2005 Hydrological Yearbook with data obtained from our 66 hydrometeorological station network, and it is now the starting point for any study on hydrology, hydraulics, and/or environmental studies. This yearbook can be accessed in Spanish only at: <http://www.pancanal.com/esp/cuenca/anuario/2005.pdf>.

### • Land Titling Program

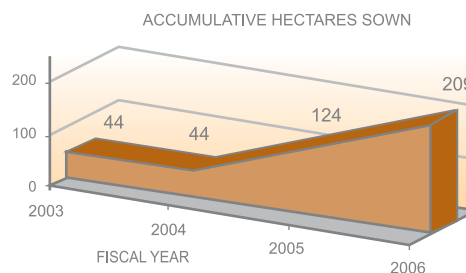
More than 3263 land property titles were issued this year to Panama Canal Watershed residents, granting them an opportunity to secure legal ownership of their lands and a better quality of life. Since the beginning of the program in year 2003, and as of the date of this report, we have issued a total of 7920 land property titles.



Land titling ceremony held at the province of Coclé.

### • Reforestation Program

Eighty-five hectares have been reforested with native plant species, in a joint effort with local Canal Watershed communities. Participants have been trained in the management and treatment of reforested areas, which have been provided maintenance by ACP over a two-year period. The Reforestation Program which began in 2003 has successfully covered a total of 209 hectares to date.



Reforestation activities held at Tree City.



#### • *Environmental Education*

In order to increase knowledge of Canal operations and its direct relationship with the utilization of natural resources and the conservation of the Watershed, we are encouraging the development and dissemination of technologies that are respectful of the environment by means of three environmental education programs implemented jointly with government and non-governmental organizations. We have reached 55562 students and 1318 teachers with our “Environmental Education” Program, and 2777 students and 277 teachers have participated in our “Guardians of the Watershed” Program. Lastly, 1553 students have benefited from “Our Canal and its Watershed” Program, which was conducted jointly with Junior Achievement of Panama.



*Ferias de educación ambiental.*

#### • *Payment for Environmental Services*

We have entered into a Technical Cooperation Agreement with ANAM for the purpose of establishing the terms and conditions to implement a “Reimbursement for Environmental Services” program. The main objective of this program is to protect and conserve the quality and quantity of the water resources in the Canal Watershed, and it contemplates compensating those who assist in meeting this goal. This program

will provide protection of the existing forest cover and adequate land use, and will contribute to the sustainable rural development that is part of our corporate social responsibility



*Activities fostering the preservation and conservation of water resources.*

#### ❖ *Vector and Pollution Control Management*

The control of vectors, pests, and water vegetation, as well as water and soil pollution is essential for maintaining an uninterrupted transit through the Canal. We are meeting this objective by clearing and providing maintenance to green areas and water vegetation, and cleaning up hydrocarbon spills in Canal waters. We also collect bilge water and used oil from all operating units for its treatment and subsequent commercialization.

#### • *Vector and Vegetation Control*

In 2006, we cleared and provided maintenance to 7703 hectares; cleaned up 550 kilometers of drainage, ditches, and trails; handled 873 complaint calls on pests and Africanized bees, and conducted 113 sanitation inspections for the purpose of controlling mosquito and vector breeding sites. For water vegetation control we applied environmentally-friendly herbicides over 27.2 hectares and collected 13273 tons of aquatic weeds.





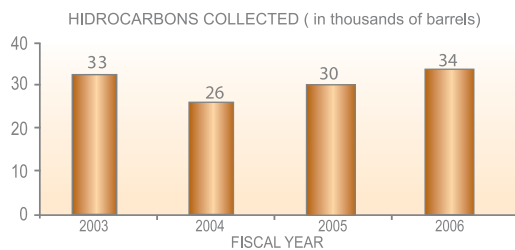
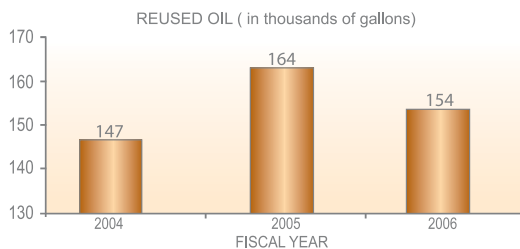
• *Pollution control*

During the reporting period we built three additional stations to manage and treat oily waste water, and commercialized the used oil generated by Canal operations, maintaining the environment at all times according to our Environmental Management System.

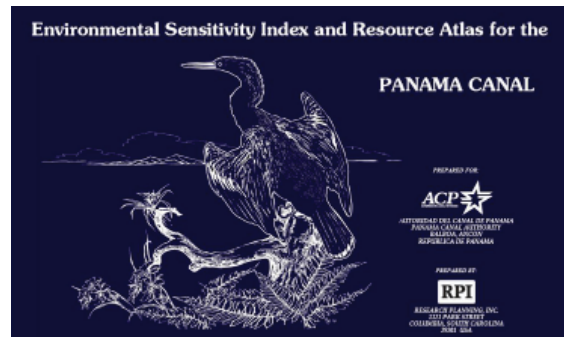
Moreover, we published the ACP Materials and Waste Management Manual and applied the following five new environmental standards to our operations:

- ✓ Oil management and utilization;
- ✓ Management of 55 gallon drums;
- ✓ Storage drum management
- ✓ Solid waste management;
- ✓ Metallic waste recovery.

Besides, we established a system for managing oily waste water and the used oil from ships, thereby increasing their efficiency by reducing operating costs.



We completed the oil spill contingency plans of ships in Canal waters with the Environmental Sensitivity Index and Resource Atlas for the Panama Canal that will be a permanent planning tool for oil spill control and recovery programs.



The responsible water resources management with our water quality monitoring programs; land titling, reforestation, and compensation for environmental services; the official consolidation of our energy savings program; our environmental education, pollution control as well as other programs actually under execution are important initiatives to promote a greater environmental responsibility at local and regional levels.



*Oil spill drill performed by ACP in conjunction with the United States National Response Team (NRT).*

# G OVERNANCE

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### *Principle 10*

Businesses should work against all forms of corruption, including extortion and bribery.

Law 19 of June 11, 1997 is the legal instrument that governs the administration and operation of the waterway under the responsibility of the Republic of Panama since December 31, 1999. It establishes that a Board of Directors will administer the Panama Canal Authority and Canal operating, improvement, and modernization policies. Six committees also supervise its administration: Legal Affairs, Audit, Finance, Human Resources, Compatibility Permits, and Canal Modernization and Expansion. This law, in conjunction with the Constitutional Title of the Panama Canal, ensures that the Canal will continue providing an efficient, safe, and reliable service.

ACP also relies upon an Advisory Board which acts as a consultative council for the Canal Administration. This board offers guidance and recommendations to the Board of Directors and the Canal Administration. It is composed of internationally recognized professionals in areas like transportation and world commerce, business, telecommunications, construction, economic development, banking and academics.

*Ricaurte Vásquez Morales – Chairman of the Board of Directors, Roberto Roy, Eloy Alfaro, Alfredo Ramírez Jr. (absent), Guillermo E. Quijano Jr., Adolfo Ahumada, Mario J. Galindo H., Antonio Domínguez Álvarez, Eduardo A. Quirós B., Abel Rodríguez Cañizales, and Norberto R. Delgado D.*



*William A. O'Neil - Chairman of the Advisory Board, Albert H. Nahmad, Salvador A. Jurado, Dr. Aaron Gellman, Andrés Luksic Craig, Philip A. Embericos, Joe R. Reeder, Admiral (R) William J. Flanagan, Flemming R. Jacobs, Dr. Ernest Frankel, Gerhard Kurz, Capt. Wei Jiafu, Stepan Schmidheiny, Tommy Thomsen, Mikio Sasaki, C.C. Tung, and Koji Miyahara.*

Law 19 also established a Labor Relations Board in its Article 111 for the purpose of promoting cooperation and understanding in good labor-management relations as well as the resolution of the labor-management disputes under its jurisdiction.



*Labor Relations Board took possession of their charges on February 2006.*



CORPORATE



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ETHICS







We have built a faultless reputation for conducting our business with honesty, integrity, fairness, and reliability. Our Ethics and Conduct Regulation is constantly communicated to all levels of our scope of influence: employees, contractors, customers, and Canal users. In addition, our procurement personnel are constantly being trained on our bidding and contract management system.

#### ❖ Contracting Process

Our contracting process holds an ISO 9001:2000 Certification. During the period of 2006, we amended 17 articles of our Acquisition Regulation for the purpose of expediting purchases and ensuring quality, reasonable prices, timely delivery, better contract terms, ample

competition, impartiality, transparency, and flexibility. We also improved our Tenders Online System, in order to increase the number of participants with an interest in our tenders and bids.

It is noteworthy that during the reporting period B/.189 million, or 80 percent of our acquisitions, were awarded to Panamanian companies. Compared to the B/.163 million awarded last year, this represents a 15.8 percent increase, which confirms our commitment to the development of Panama with the broadest and fairest competition for our contracts.

Ethical and moral values are a major part of our procurement policies and standards, as they discourage any type of corruption, extortion, and bribery.



*Panama Canal Administration Building at Balboa, Ancon.*



# CONTRIBUTION





As Panamanian citizens and Panama Canal employees, we carry out programs to strengthen and benefit communities, well aware that it is useless to talk about nationalism in the Canal business if we do not care for the needs of our own country.

#### ❖ Panama Canal Watershed Conservation and Recovery Fund

After two years of intense work with the United States Agency for International Development (USAID) for the implementation of pilot projects established by the Panama Canal Watershed Conservation and Recovery Fund, an environmental conference was held to exhibit the results obtained in the fields of production transformation technologies, community strengthening, and reduction of water sources contaminants.



*Exhibit opening*

More than 3,000 persons attended the conference, viewed the application of sustainable practices, and attended seminars held by renowned national and international speakers.

#### ❖ Employment and Environmental Conservation Education

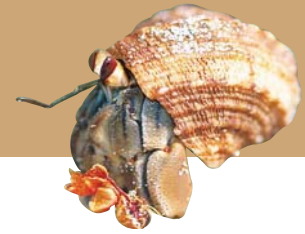
In 2006, the Mitsubishi Corporation signed an Agreement for Social Cooperation with ACP, the Panama Ministry of Education (MEDUCA) and the National Institute of Vocational Training for Human Development (INADEH) to instruct Watershed community participants about environmental conservation work. It trained some 1,000 inhabitants on computers, civil works, residential electricity, and basic tourism services which they may apply to compete in the local job market and improve their quality of life.



*Graduation ceremony of the environmental conservation program.*



*Exhibits and conferences.*



❖ **The People's Canal**

For the fifth consecutive year, we have conducted this program to bring Canal stakeholders and citizens closer to the interoceanic route. A total of 8378 persons participated in educational trips which provided detailed information on Canal operations, including a partial transit. This number reflects an increase of 32 percent over 2005, when 6351 persons participated.



❖ **Employee Volunteer Work**

With the understanding that our corporate commitment to the community is a long-term goal, we conduct



*Volunteers repaired sections at the prison in Colon city.*

activities to encourage civic assistance awareness and social sensitivity among our work force. Under the "Visits by Watershed Children" Program, 134 children were hosted at our employees' homes, and enjoyed a visit to the Panama Canal and other interesting sites in the city.

Canal volunteers have supported senior vocational students throughout the country, under the "Urban Watershed" Program by providing equipment and sharing their knowledge and experiences on Canal operations with talks and technical and safety seminars.

Throughout the year, in order to provide for the communities needs, our employees conducted various activities, lectures, and training, and made all kinds of donations. Likewise, they actively participated in the Fifteenth Great Cleanup of Beaches, Shorelines, and Rivers, an international event which is sponsored in Panama by various government and non-governmental organizations.



*Donations to the Tres Hermanas community.*





FOSTERING

PROGRESS

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In fiscal year 2007 we will continue focusing on our business strategy as stated in our corporate objectives, and consolidating the programs we are implementing.

Aware of the significant role the Canal plays in the progress of Panama, the Canal Administration studied for more than five years various alternatives to expand the waterway. This expansion will allow the Canal to adapt to the rapid business changes of a globalized world which requires a diversification of services and to reach new markets. In 2006, a consultation process was conducted at all levels (national and international), in a search for the most favorable option to adjust the interoceanic route to the challenges imposed by international trade.

❖ **The Panama Canal Expansion Proposal**

The proposal for the expansion of the Panama Canal by means of the construction of a third set of locks included environmental, social, economic, financial, capacity, operations, market, and competitiveness studies, in addition to technical and engineering studies. The Proposal has three components:

- ✓ Construction of two sets of locks (one on the Atlantic side and one on the Pacific side) consisting of three levels each, with water savings basins;

- ✓ Construction of access channels to the new locks and the widening of the existing navigation channels;
- ✓ Deepening of the existing navigation channels and an increase in the maximum operating level of Gatun Lake.

• **Advantages, Contributions and Benefits**

The Canal expansion proposal provides a justification for the environmental and social impacts of the project and guarantees enough water for human consumption and for Canal operations without building dams that might affect the environment. With its estimated cost and profitability, it is expected to generate some 40,000 direct jobs and more than 30,000 indirect jobs during the construction period resulting from the economic activity related to the project. In addition to creating job opportunities, it expects to provide more than B/2,500 million to the country's economy.

The project is self-financed and will be legally separate from Government debt. To finance its costs, the expansion project will implement the toll increases previously discussed with the Canal users. With the expected revenues, it is estimated that capital expenses will be recovered in less than ten years.



*Panama Canal Expansion Proposal presented to President Martin Torrijos Espino at an official ceremony.*





- ✓ 34500 people visited the 16 ACP general information and orientation centers.
- ✓ 26268 phone calls were handled over the “ACP Response Line.”
- ✓ 10120 responded to “The Canal Reaches You” campaign conducted with two mobile units.
- ✓ Approximately 820,000 copies of Canal and Canal expansion-related literature have been distributed.
- ✓ 3.6 million visitor hits at [www.pancanal.com](http://www.pancanal.com)

For detailed information on the Panama Canal Expansion Proposal, please visit

<http://www.pancanal.com/eng/plan/documentos/propuesta/acp-expansion-proposal.pdf>



#### ❖ Panama Canal Education Fund

Each year we contribute to the National Treasury of Panama an average of B/.300 million in surplus, net tonnage per transit, and utility payments. These funds are transferred to the Panamanian Government's General Budget and used to implement social projects. In 2006, Panama's President Martin Torrijos Espino authorized the allocation of B/.0.10 from the net tonnage per transit fees to educational projects for the improvement of the quality of life of Panamanians.



#### ❖ Other agreements and commitments

To generate synergy, share information, and support cooperation for projects and programs, we have entered into various agreements with government agencies, non-governmental organizations, and other strategic partners.

While focusing on our corporate objectives, the success of our operations, and the transparency of our actions, we maintain our commitment to apply the Global Compact principles to all aspects of our corporate management:

Fiscal Year 2006		Achievements for 2006	Fiscal Year 2007
HUMAN RIGHTS AND WORKFORCE WELL-BEING	Increase dissemination of information on the prevention of accidents and illnesses.	✓ A safety campaign was launched under the new vision and mission. Standards and regulations were updated and safety information was posted on the ACP Intranet. 1,245 follow-up inspections on the compliance with Risk Control and Occupational Health Regulation were conducted.	Continue enforcing the Risk Control and Occupational Health Regulation.
	Encourage more employee participation in the Employee Health Program and/or Physical Fitness Program.	✓ Activities, competitions, and sports contests were held in order to promote employee physical fitness.	Continue to encourage participation in the Employee Health Program and/or Physical Fitness Program.
	Maintain the Work Strengthening Program.	✓ 100% of employees returned to their jobs after participating in the program.	Maintain the Work Strengthening Program.
	Keep the work force updated on the ISPS Code.	✓ Personnel responsible for Canal protection received training and participated in joint drills with their Government counterparts.	Increase the scope of security to include Canal Expansion Project.
	Develop and implement an action plan to increase the level of job satisfaction and commitment among the work force.	✓ Employee rotation rate was 1.5, a decrease of 31.8% as compared to the rate of the previous fiscal year (2.2 in 2005)	Continue implementing the action plan to increase employee satisfaction and commitment rate.
		✓ 7,231 employees participated in the Employee Assistance Program, mostly with the dissemination of the Satisfaction and Commitment Study.	
		* 10.6% of the Human Resources Budget was allocated to internal and external recruitment actions.	
		✓ 12% of our work force consists of women, 14% of whom occupy managerial positions.	
		✓ 47% of the work force is over 45 years old.	
		✓ 1% of our work force consists of handicapped employees.	
		Σ 18% of our employees were promoted, 14% more than in the previous fiscal year.	
	✓ 9,679 employees received awards, 3.3% more than in the previous fiscal year.		
	Keep the injury and illness rate at 2.5 or below.	✓ The corporate injury and illness rate was 1.6, with a total of 144 accidents (compared to a 2.2 rate in 2005).	Keep the rate of injuries and illnesses at or below 2.3.
	Automatize the objective Individual Performance Evaluation System.	Σ The design of an automated objective individual performance evaluation system was completed.	Implement the automated objective individual evaluation performance system at the corporate level.
	Keep the five labor union collective bargaining agreements in force.	✓ Five collective bargaining agreements are in force, and 27% of employees pay union fees.	Keep the five labor union collective bargaining agreements in force.
Keep the number of court decisions on employee abuse, punishment, or forced labor cases at zero.	✓ This statistic was kept at zero.	Keep at zero the number of court decisions on employee abuse, punishment, or forced labor cases.	
Maintain training programs that motivate employee job performance excellence.	✓ Approximately B/. 2 million were invested in employee education and professional development.	Maintain training programs that motivate employee job performance excellence.	
	✓ 45 training average hours per employee; 45% more than in previous fiscal year.		
	Σ 87% of employees received training, 11.5% more than in year 2005.		
	* 449 students participated in our Professional Practice Program and 492 student assistants were hired for the Summer School Program.		



	Fiscal Year 2006	Achievements for 2006	Fiscal Year 2007
ENVIRONMENT	Establish indicators to measure the progress of sustainable development and integrated water resources management programs.	✓ A Water Quality Index was selected based on 123 field trips, 476 gaugings of rivers and lake currents, and 751 samples collected with 1,065 suspended sediments.	Implement the Water Quality Index as an indicator of water conditions.
		* Eighty-five hectares were reforested and maintenance was provided to 209 hectares. 25 sustainable development projects were conducted at Watershed pilot sites.	
	Design a strategy for the collection and treatment of sewage.	Σ An integral strategy for the collection and treatment of sewage was designed.	Implement the strategy designed for the collection and treatment of sewage.
	Increase environmental job-related training.	> An Energy Savings directive was consolidated and an Energy Savings Steering Committee was established. ACP environmental management was included in the new employees' orientation course.	Implement the energy savings directive and disseminate the environmental management plan among all employees.
	Increase the number of teachers and students reached through the Environmental Education Program.	✓ Training was provided to 1,318 teachers and 55,562 students in 285 Watershed schools. Also, 400 students participated in the Employment and Environmental Conservation Education Program.	Continue ACP's Environmental Education programs.
	Maintain our Environmental Management System under an ISO 14001 Certification.	✓	The Environmental Management System was recertified under ISO 14001:2004 with an investment of 1,100 hours. Also, 150 environmental inspections and 90 environmental impact assessments were conducted.
Green area maintenance was provided to 7,703 hectares for vegetation control. Control of mosquito breeding sites over 550 kilometers was provided and 113 sanitary inspections were conducted.			
Complete the Cadastre and Land Titling Program for the Western Region of the Panama Canal Watershed.	Σ	3,263 land titles were issued during fiscal year 2006. Since 2003, 7,920 land titles have been issued.	Complete the Cadastre and Land Titling Program for the Western Region of the Panama Canal Watershed.
Revise and optimize the processes for the recovery of oily waste water and used oil.	✓	Three additional stations to handle and treat oily water waste were built. Twenty-eight drums of hydrocarbons were collected from oil spills. 30,011 drums were suctioned and 3,897 drums of used oil commercialized.	Maximize recovery of oily waste water and used oil.
TRANSPARENCY	Broaden the necessary mechanisms to ensure transparency, as well as prevent and punish corruption.	✓ Seventeen articles of the Acquisition Regulation were amended. Employees and stakeholders were trained on the new Tenders Online System. 99% of bills for bid contracts were paid in 35 days or less.	Ensure transparency in contract processes.
	Increase efforts to raise awareness among the work force and our stakeholders (suppliers, contractors, clients, and users) on the importance of complying with ACP's Ethics and Conduct Regulation.	✓ Training was provided on ACP's Ethics and Conduct Regulation.	Increase efforts for compliance with ACP's Ethics and Conduct Regulation among stakeholders (suppliers, contractors, customers, and users).
		✓ Sixty-eight contract award protests were presented and admitted; 0.44% of the total contracts awarded. Thirty protests or 24% out of the total submitted and admitted protests were decided in favor of the protester.	
	* 15,531 contracts were awarded for B/.237 million.		

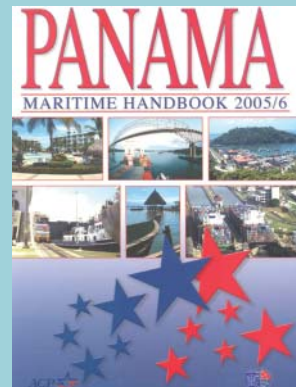
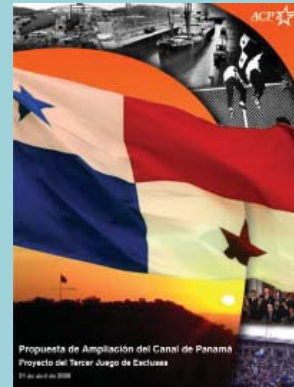
**Legend:**

✓ Goal accomplished    Σ Goal under execution    > Additional work required    \* Other achievements

# R ELATED

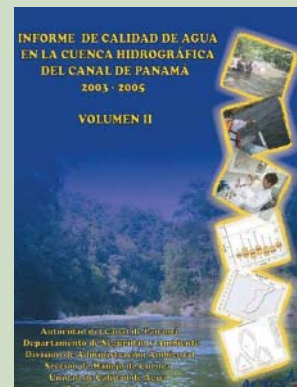
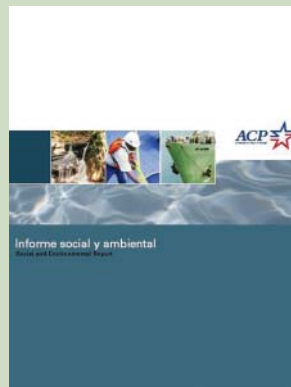
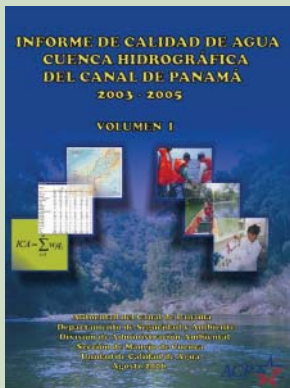
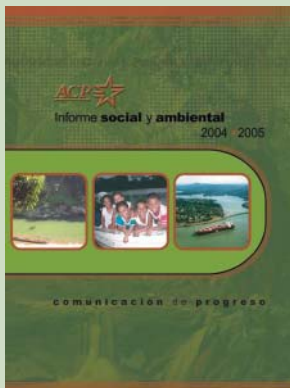
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## PUBLICATIONS





## PUBLICATIONS



## VERIFICATION

The superior quality of our services is the result of our continuous efforts to align our operations to the highest international standards.

- ISO 9001:2000 Certification awarded to the Department of Maritime Operations by Det Norske Veritas (DNV).
- ISO 9001:2000 Certification awarded to the Canal Protection Division, Department of Safety, Security and Environment, by DNV.
- ISO 9001:2000 Certification awarded to the Industrial Shipyard Division and Electrical Division, Department of Industrial Services, by DNV.
- ISO 9001:2000 Certification awarded to the Training and Development Division, Department of Human Resources, by DNV.
- Periodical audit of ISO 9001:2000 Certification to the Contracting Division, Department of Finance, by DNV.
- ISO 14001:2000 Recertification awarded to the Environmental Management Division, Department of Safety, Security and Environment, by Lloyd's Register Central and South America LTD.
- Environmental and financial audit by the Office of the Comptroller General of the Republic of Panama and PricewaterhouseCoopers





We are interested in knowing your opinion. It will assist us in evaluating our performance and fulfilling our commitments, in addition to guiding us toward a continuous improvement of our next reports. Thank you very much.

- Did you read the 2003 Report:      \_\_\_ Yes                                      \_\_\_ No
  
- Did you read the 2004-2005 Report:      \_\_\_ completely                                      \_\_\_ almost completely  
    \_\_\_ some parts                                      \_\_\_ nothing
  
- Check areas below that you feel we included accurate and sound information:
  - \_\_\_ mission, vision, objectives, goals, and achievements
  - \_\_\_ human rights
  - \_\_\_ labor standards
  - \_\_\_ environment
  - \_\_\_ prevention and fight against corruption
  - \_\_\_ social participation and solidarity
  - \_\_\_ commitment with progress (objectives for fiscal year 2007)
  - \_\_\_ external verification
  - \_\_\_ none of the above
  
- Did you find the 2006 Report to be:      \_\_\_ excellent                                      \_\_\_ very good  
    \_\_\_ good     \_\_\_ bad
  
- Please comment on ways to improve this report for next year:
 

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- Personal information (optional):
  - Name \_\_\_\_\_
  - Address \_\_\_\_\_
  - City and country \_\_\_\_\_
  - Occupation \_\_\_\_\_
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Thank you for sending your comments to the following address:

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### FOR FURTHER INFORMATION

on:

ACP and its actions, visit [www.pancanal.com](http://www.pancanal.com)

Corporate social responsibility, visit [www.unglobalcompact.org](http://www.unglobalcompact.org) ; [www.wbcsd.org](http://www.wbcsd.org)

Global Reporting Initiative, visit [www.globalreporting.org](http://www.globalreporting.org)

Environmental matters, visit [www.unep.org](http://www.unep.org) ; [www.wri.org](http://www.wri.org)

Human rights matters, visit [www.fidh.org](http://www.fidh.org) ; [www.ilo.org](http://www.ilo.org)

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Punto Gráfico

In the event of any discrepancy between the English and Spanish versions of this document, the Spanish version shall prevail.





