

Environmental and Labor Issues: This is a category B project according to the IIC's Environmental and Social Sustainability Policy because potential environmental and social risks and impacts are limited to the project site, largely reversible, and can be mitigated via measures that are readily available and feasible to implement in the context of the operation. These impacts are expected to materialize mainly during the construction stage and involve the efficient use of resources and pollution prevention, workplace and labor conditions, and community health and safety. The photovoltaic solar power plant will consist basically of a direct current solar generator, inverters that convert the current to alternating current, a buck-boost voltage transformer, cables, and the support structure. The plant will also have auxiliary systems to ensure operation, including its own power supply, guard and security systems, and monitoring systems. All the power generated by the photovoltaic solar plant will be injected into the public power grid for sale. The transmission line will be on the same land as the photovoltaic plant and run parallel to the land of the Melara/Del Sur substation to which it will connect. The transmission line will not pass through or affect any communities. The Borrower will obtain all the necessary permits for the project, including the construction permit. The project was authorized by the environment and natural resources ministry (Ministerio de Medio Ambiente y Recursos Naturales, MARN) in a resolution issued in January 2015. The authorization process included preparing and submitting the information requested by the MARN (environmental form and complementary environmental information). Officials from that government agency evaluated the information and determined that because of the project's size and nature, no environmental impact study was necessary, as potential environmental and social impacts associated with the construction and operation of the project are minimal and the project is not expected to harm the environment, place human health at risk, or compromise the quality of life of the population. In order to comply with the conditions established by the MARN in its environmental authorization resolution for the project, the Borrower has prepared an environmental management plan outlining the measures to be taken at different stages of the project to prevent or mitigate environmental and social impact. However, it will be necessary for the Borrower to ensure management of the environmental and social performance during the project and compliance with its environmental management plan. For these purposes, at the request of the IIC, Cangrejera will implement an Environmental and Social Management System (ESMS) in accordance with the nature and scale of the project (photovoltaic solar power plant and transmission line). The ESMS will include the following elements, pursuant to International Finance Corporation Performance Standard 1: i) Cangrejera environmental and social policy; ii) the identification of risks and impacts; iii) management procedures and programs; iv) the name of the Cangrejera representative responsible for guaranteeing compliance with and execution of the ESMS; v) emergency preparedness and response; vi) participation of social stakeholders; and vii) followup and evaluation. The ESMS must cover all aspects of workplace safety and health. The Cangrejera representative responsible for the ESMS shall ensure that the employees and contractors are informed of the ESMS and will supervise compliance with it. At the request of the IIC, the Borrower must also prepare and implement the following programs or procedures for the different stages of the project, mainly during construction: a procedure for external communications and a mechanism for receiving and (where necessary) assessing complaints and hearing matters brought up by the public or stakeholders and providing the corresponding responses; a protocol for dealing with chance finds pursuant to the resolution issued by the national cultural heritage directorate of the secretariat of culture (Dirección Nacional de Patrimonio Cultural de la Secretaría de Cultura); and a procedure for putting up safety signs and directing vehicle traffic. The IIC made a field visit to the project site as part of the project's environmental evaluation. The visit also included interviews with the MARN officials who evaluated the project and issued their opinion, as well as with representatives of the environmental consulting firm engaged by the Borrower to process the project authorization before the MARN. Efficient resource use and pollution prevention: The terrain is almost entirely flat and level, with more prevalent grades being less than 3%. The land is used for agricultural purposes and has most recently been used to cultivate sugar cane. The land is accessed directly from the El Litoral

highway via a dirt road used by agricultural machinery. The land is bordered on the north by the El Litoral highway and a community, and on the east, south, west, and southwest by other farmland. The Melara/Del Sur substation adjoins the land to the northeast. Since the project site environment has previously been disturbed by agricultural activities (cultivation of sugar cane and planting of staple grains), no sensitive flora and fauna or critical natural habitats have been identified in the area. Likewise, neither cultural nor archeological sites have been identified. However, Cangrejera must implement a procedure for handling unexpected discoveries of archeological remains, pursuant to the ruling issued by the national cultural heritage directorate in October 2014. Earth moving will not be necessary to install the photovoltaic solar power plant. Some overgrowth will have to be cleared, which will be used by locals to feed livestock. No trees will be cut down, since the land in question is agricultural land used for growing sugarcane. It is currently clean, the harvest having concluded. The construction phase will cause some noise, first due to the transportation of equipment and later from use of machinery. However, the work will be done during the day, and the increase in the noise level is not expected to be significant given how close the highway is to the project area. The operational phase of the project is expected to have a positive impact on air emissions by generating electricity from a renewable source. Most air emissions will occur during the construction phase, originating from vehicles and machinery operated by the contractors. In addition to gas emissions from internal combustion engines, vehicle traffic will generate fugitive dust emissions. A sprinkling program will be implemented to keep down excessive dust during the construction. The project's environmental management plan includes other specific measures for mitigating emissions. During the construction and operation stage, water will be supplied using tanker trucks as needed. The amount of waste water generated will be minimal. During the construction phase, the waste water will be handled using portable toilets. A company authorized by the environment ministry will be in charge of cleaning them regularly. The operation phase will only generate waste water from the guardhouse because the plant will not have offices or an administration area. That liquid waste will be sent to a septic well that will be cleaned periodically by an authorized company hired to do so. A minimum amount of solid waste is expected to be generated during the construction and operation phases. During the construction phase, the most significant waste will result from the work to lay the foundations and set up the solar plant, waste that will consist of packing materials from the plant equipment, waste bags from construction materials, and construction leftovers (piping, metal profiles, rebar, etc.). The solid waste will be sorted and stored temporarily before being recycled or disposed of in places authorized by the municipality. Occasionally, small amounts of oil and lubricants for maintaining some machinery will be stored on site. In the event of spills, the contaminated soil will be collected and placed in hermetically sealed containers and later disposed of by a specialized company authorized by the MARN. The operational phase will include maintenance of the drainage infrastructure built to channel the rainwater and runoff from the panels and roofs, as well as maintain the ditches and drainpipes installed at the photovoltaic solar power plant, along access roads, and on the easement strip.

Workplace and Labor Conditions: The project will comply with domestic labor laws. This project will not include building an administrative office, but only a guard house. Monitoring and overseeing the photovoltaic solar power plant will be carried out remotely, meaning that plant personnel will not be needed for this. All construction, operation, and maintenance of the photovoltaic solar power plant will be carried out by qualified and experienced contractors. The Borrower will be responsible for requiring that its workers and contractors use personal protection equipment such as gloves, helmets, and harnesses during the facility's construction and operation.

Community health and safety: The Borrower has an occupational safety and health plan in place with measures for accident prevention. Fire extinguishers will be provided in work areas along with proper personal protection gear. Cangrejera will implement an emergency preparedness and response plan and a procedure to put up safety signs and direct vehicular traffic during the construction phase. For security and for guarding the project facility, a perimeter cyclone fence will be put up along with a CCTV video system and an auxiliary system to control the alarm system and

send signals to alert the relevant authorities or firefighters. The project is expected to provide certain social benefits to the local community, as agreed with municipal authorities. Monitoring and reporting: Cangrejera will agree on an Environmental and Social Action Plan with the IIC and submit annual monitoring reports on the issues outlined herein. During the life of the project, the IIC will monitor ongoing compliance with its own environmental and labor review guidelines by evaluating the monitoring reports submitted annually to the IIC by Cangrejera and by conducting regular field visits as part of the project supervision process.