

The Project has been preliminary classified as Category A (High Risk) operation according to the IIC's Environmental and Social Sustainability Policy. The project categorization will be confirmed based on the results of the environmental and social due diligence, when more information is available. In particular, the Project is adjacent to Lagoa Mangueira, which is part of an Important Bird Area (IBA) BR234 Banado do Taim, and south of the Taim Ecological Station. The area primarily includes wetlands (banhados) and land converted to rice crops. There is occurrence of at least 33 migratory birds and some species in a conservation category, at least one of which is an Endangered bird "Spix Macaw" (*Sporophila palustris*). The Complexo dos Campos Neutrais, consisting of three windfarms in different stages of development, is located south of the Project and may be within its area of influence. The area is primarily dedicated to rice crop cultivation, although in 2012, the government declared Rio Grande do Sul an area for renewable energy development. There are also tourism and trade/ commerce activities. The Project prepared three (3) EIA's or "Simplified Environmental Reports" (RAS - Relatório Ambiental Simplificado), an original document and two updates: (i) "RAS 1 - Complexo Eólico Aura Mangueira - Fase I" of 110-MW, (ii) "RAS 2- Complexo Eólico Aura Mangueira - Fase II", an expansion to a total of 346-MW and (iii) "RAS 3 - Complexo Eólico Aura Mangueira - Fase III", an expansion to a total of 528-MW. It is worth to point, that the final expansion of RAS 3 is not operationally viable at the present, therefore, only RAS 1 and RAS 2 are considered for the Project. Moreover, the environmental permit (Licença de Instalação- LI) was obtained for 207-MW on December 21, 2015. Based on the information available to date, IIC understands that proposed financing is also intended for 207-MW. The Project is reported under construction. The information described above will be confirmed during due diligence. The Projects' environmental and social impact assessments, its proposed management system and its direct and cumulative impacts will be evaluated in detail during the environmental and social due diligence (ESDD) process. The EIA (RAS) has an Environmental and Social Management Plan (ESMP) that contains the following programs: i) Physical Environment Management Program, that includes several programs to manage and control erosion, recover of soil degraded areas, surface water, groundwater, noise among the most important; ii) Biotic Environment Management Program, that comprises programs to manage habitats and sensitive species as well conservation programs; and iii) Social Management Programs, that includes communication and public participation, environmental education, tourism areas preservation as well as cultural, landscape and paleontological rescue programs. All these programs will be revised in more detail during the Environmental and Social Due Diligence (ESDD). With the support of a specialized consultant with knowledge on local biodiversity, cumulative impacts and community engagement in Brazil, IIC will work with the Client to obtain additional information to complete the ESDD and to complement the RAS in order to meet IIC requirements and evaluate the environmental and social risks, confirm the project categorization, assess management plans to mitigate these risks and define a project environmental and social action plan (ESAP). During the ESDD the IIC and the consultant will visit the site and further assess the Project's Environmental, Health and Safety Management System, including plans and procedures, review the main Projects facilities, verify the extent of public consultation, assess baseline information pertaining to key environmental and social concerns, and evaluate the social and labor issues related to the Project. The following key issues are expected to require the most effort: (i) cumulative impact assessment (CIA); (ii) comprehensive consultation with stakeholders; (iii) biodiversity assessment to determine impacts on birds, bats and areas of high conservation value (e.g., IBA, Taim Ecological Station); and (iv) natural disaster risk. The Client will be required to ensure the Project meets the requirements of the IIC Sustainability Policy and address any gaps in the form of an action plan. An Environmental and Social Review Summary (ESRS) as part of the Environmental and Social Due Diligence (ESDD) process is available in the link below. Contact Information For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see Investment Summary tab), or IDB Invest using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to

mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.