

1. Overview of Scope of E&S Review

The due diligence process for La Castellana involved a desktop review of the following information: the environmental and social impact assessment (ESIA), government approvals, the company's corporate environmental and social management system, and publications related to local biodiversity conditions. The due diligence also encompassed the following activities: (i) a 10-day rapid bird assessment at the project site carried out in November 2016 by a group of national and international bird and wind specialists leading the biodiversity review of the project; (ii) an appraisal visit in December 2016, (iii) meetings with environmental regulatory authorities at the federal and provincial levels; (iv) consultations by the lender's ornithologist with local bird conservation NGOs and national level bird conservation organizations in Argentina; (v) lender consultations with locally affected persons in the vicinity of the project area; and (vi) a site visit in January 2017.

2. Environmental and Social Categorization and Rationale

According to the IIC Environmental and Social Sustainability Policy, this is a Category A operation, because the project site is located within the Important Bird Area (IBA) *Caldenal del Sudoeste de Buenos Aires*.

3. Environmental and Social Context

The project area is approximately 1,500 hectares in size and characterized by open grasslands with small shrub woodland. The total permanent footprint of the project will be 1 – 2 percent of the project area, including all ancillary and associated facilities. Eight of the 32 turbines are located within the outer limits of the aforementioned IBA. There are no human settlements in the vicinity of the project, though lease agreements will be needed with 20 landowners to secure the easement for the transmission line right-of way. The project has good connectivity by road from the port of Bahia Blanca on national routes 35 and 3. Access to the project site is via 14 kilometers of secondary road through agricultural lands.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

The ESIA for La Castellana was prepared in May, 2016 and received approvals from both the federal and provincial level environmental authorities in August, 2016. The alternatives analysis for the transmission line originally considered three options. At the request of the lenders, the sponsors added a fourth, preferred, option that avoided suitable habitat for *Loica pampeana* – a species of bird listed as Vulnerable on the IUCN Red List. The updated ESIA reflecting this change is currently under review by the environmental authorities, and must be approved prior to commencement of Project construction.

The approved ESIA includes the designs for an Environmental and Social Management System (ESMS). The ESMS defines a series of management programs intended to avoid, mitigate and manage the construction and operation related risks and impacts of the project. These programs include the following: (i) erosion and sediment control; (ii) revegetation; (iii) heavy equipment safety; (iv) fauna rescue; (v) occupational health and safety; (vi) archaeological "chance-finds" procedures; (vii) management and disposal of solid and hazardous wastes; (viii) monitoring of construction and operational noise, and vibration effects, as well as impacts associated with shadow flicker and blade throw; (ix) bird and bat monitoring during construction and operation; (x) adaptive management of any impacts caused on any caldenal specialist species; (xi) conservation and reforestation of impacted caldenal woodland; (xii) stakeholder engagement; and (xiii) grievance redress.

Central Puerto's respect for the environment, and the company's concern for the safety and wellbeing of its workers and surrounding communities are documented clearly in several corporate documents. These documents have been approved by the company's board of directors and signed by the general manager. They include the following: a code of business conduct, a mission and vision statement, a code of corporate governance, an integrated environmental, social, health, safety and quality (EHSQ) policy, and a human resources policies. The EHSQ policy provides an overarching statement on the principles that guide all activities managed by the company. At the request of the Senior Lenders, La Castellana will develop a policy aligned to the sponsor's own integrated EHSQ policy, but extended to include consideration of the following aspects: labor and working conditions, worker health and safety, stakeholder engagement, and grievance resolution.

Central Puerto identifies and prioritizes project risks and impacts according to a risk mitigation hierarchy. This process is documented in the company's risk and impact identification procedure. Project risks and impacts were partially identified in the project's ESIA. As part of the project's Environmental and Social Action Plan (ESAP) agreed to with the senior lenders, the project has committed to further develop the procedure for risk and impact identification and mitigation, and to produce a list of the priority risks and impacts of the project, their proposed mitigation measures, and the parties responsible for carrying out these measures.

Central Puerto operates an integrated management system compliant with the following international standards: ISO 14001 (environmental management), ISO 9001 (quality), and OHSAS 18001 (occupational health and safety). The company applies this system to its thermal and hydropower activities across Argentina, and will extend it to La Castellana as well. The management system is accredited by the internationally recognized Argentine Accreditation Organism (Organismo Argentino de Acreditacion). Inter-project EHSQ personnel regularly audit the system to ensure continuous compliance and improvement. Individual management programs incorporated within this system are described throughout the rest of this summary.

La Castellana will have an umbrella project level EHSQ team. Each EHSQ area will be managed by qualified personnel, experienced in the application of good international industry practices relevant to its sector. Each contractor will be required to have an EHSQ structure that mirrors the umbrella team's structure.

The company has committed, as part of the project's ESAP, to develop an emergency preparedness and response plan that aligns with paragraphs 20 - 21 of IFC Performance Standard 1. The plan will define the actions to be taken in the event of an emergency, and any arrangements for cooperation with third party emergency response teams.

The Project's ESAP calls for the project to develop a monitoring and supervision program for the project that will measure the effectiveness of the management program, as well as compliance with legal and contractual obligations. The monitoring program will provide for the active involvement and participation of all contractors.

4.2 Labor and Working Conditions

La Castellana will employ up to 150 workers at the peak of construction, and 15 permanent workers during project operation. The project will adopt the main principles of Central Puerto's human resources policies and procedures and will require all contractors to do the same. The company has committed, as indicated in the project's ESAP, to developing a Human Resources Plan. This plan will ensure that workers are provided with documents that clearly describe their rights in the following areas: collective bargaining, work hours and overtime, compensation, training, and benefits. To ensure EHSQ considerations are managed consistently by all contractors, the project

will establish a committee with members from each of the EHSQ teams.

The project will ensure that worker recruitment is non-discriminatory. Furthermore, the project will monitor the participation of women in its workforce in both managerial and non-managerial positions, during both construction and operation phases. The project will develop a list of activities that could be promoted to encourage the employment of women on the project for both construction and operation phases. Contractors will be requested to promote the approach in their own recruitment efforts. Performance will be measured and reported to the Senior Lenders on an annual basis. The project will have a policy giving preference to employing local workers, enabling the local economy to benefit from the opportunities created by the project. As part of the ESAP, the project has committed to developing a grievance mechanism for its workers.

Occupational health and safety is a key area of importance for Central Puerto. The company will ensure that the project and all contractors adopt the same practices and procedures at the project level, integrating critical elements of OHSAS 180001 as relevant. The project and each contractor is required (by contractual agreement) to have a dedicated OHS Manager and team dedicated to supervising, training and enforcing appropriate OHS practices and procedures among its workers.

The project's ESAP calls for the project to develop an OHS plans for both the construction and operation phases of development of the project. The plans will include the following: an organizational chart of key OHS personnel, including their roles and responsibilities; a schedule of training events to be provided to workers; processes for reporting and managing work related incidents and accidents; and contingency and emergency preparedness and response measures. The emergency preparedness and response measures will focus especially on high risk activities, such as the installation and maintenance of turbines and electrical components.

In compliance with Law 24557, the project will have an on-site medical facility and basic medical equipment and medication. The project is expected to hire an ambulance service to be present during construction works.

At the lenders request, all tender documents for third party contractors included specific requirements for contractors to demonstrate compliance with the project's environmental and social management programs, procedures and policies. Ensuring compliance will be the responsibility of each contractor's environmental manager and an industrial OHS manager. Social matters will be managed centrally by the project management team, with the project providing contractors with instructions for reporting any issues that may arise with local stakeholders. The project's ESAP stipulates that the project will develop and enforce a worker code of conduct.

4.3 Resource Efficiency and Pollution Prevention

Sanitary and domestic effluents will be separated and treated prior to disposal in septic or other facilities approved by the local authorities. The project will implement a spill containment program to mitigate the risk of soil or water contamination from spills of hazardous substances. Hazardous materials will be stored, collected, handled and disposed of in a manner that complies with National Law 24051, Provincial Law 11720 and Decree 806/97 and the IFC EHS Guidelines. Final disposal of solid wastes is subject to a municipal permit and will be managed by a licensed company.

Noise and air quality levels will be monitored in accordance with local laws and must demonstrate compliance with the IFC EHS Guidelines during construction works. At the request of the Lenders, the project will compare Argentinian regulatory requirements with those found in the EHS Guidelines, and apply the more stringent of the two to the project.

The project will use herbicides and pesticides to control overgrowth of undesired vegetative cover

and control the presence of rodents and bugs in and around the project site, particularly where workers are present. The project will comply with paragraphs 14 - 17 of Performance Standard 3 and the EHS Guidelines in respect to the use, handling and exposure to pesticides and their derivatives.

4.4 Community Health, Safety and Security

The project is located in a rural area accessible by public road to the city and port of Bahia Blanca, removed from any human settlements. Since the nearest household is approximately two kilometers from the project site, many risks to human settlements typical of wind projects should not be a concern (e.g., visual or noise impacts, shadow flicker or blade-throw).

The main impact of the project to the public will come from disruptions to local transit and traffic during the transportation of turbines, heavy machinery, and workers via public roads. The contractor will be responsible for implementing a transportation management plan that identifies the safe transport routes to the project, identifying high risk areas requiring specific improvements or extra safety precautions, installing proper safety signage on all public roads, and enforcing codes of conduct for all drivers of vehicles used for the project. Furthermore, the project will develop, in accordance with the project's ESAP, a transportation management plan to ensure the safety and security of all those potentially affected during the transportation of project equipment and machinery in public areas. The transport management plan will include specific emergency preparedness and response measures to be implemented with assistance from local authorities in the event of an emergency.

The project will contract the services of a private security company during both construction and operations. The project's ESAP specifies that the project will develop a security management plan identifying what actions will be taken to safeguard the project site, its workers and assets. This plan will integrate guidance provided in paragraphs 12 - 14 of IFC Performance Standard 4.

4.5 Land Acquisition and Involuntary Resettlement

La Castellana holds a usufruct lease agreement with a single owner of 1,500 hectares where the project is sited. The lease agreement gives the project the right to use the owner's lands to build the wind turbines and all associated and ancillary facilities.

In addition, the project is in the process of negotiating good faith agreements with twenty landowners to secure the right-of-way for the transmission line. The project is responsible for compensating these land owners for any resulting economic losses. At the request of the Lenders, the project will prepare a record for each transaction, including a matrix identifying the compensation rates and amounts to be paid to each landowner, in alignment with IFC Performance Standard 5, paragraphs 25 - 29 on economic displacement.

4.6 Biodiversity Conservation and Natural Habitats

The natural habitats contained within the project site are heavily impacted. Nevertheless, the project site overlaps with the IBA *Caldenal del Sudoeste de Buenos Aires*. The area of overlap measures 681 hectares, which is about 0.3 percent of the total area of the IBA. Caldenal forest represents just 10 hectares of this overlap area. The overlap area is considered by the avian specialists consulted by the lenders to be of poor ecological quality, and not representative of the ecosystems for which Birdlife International designated the site as an IBA.

A local bird expert completed a preliminary assessment of bird risk factors associated with the

project. The assessment was based on a short but intensive field survey effort as well as a comprehensive desktop review of available information on the birds likely to occur within the project region. In general, potential impacts to birds from the project are expected to include the following: collisions with turbine rotors, towers, or power lines; electrocutions of raptors that may perch on the structures of the internal power distribution lines; and permanent or temporary displacement of local fauna from habitat loss due to project works and structures.

After consultation with the lenders' biodiversity specialists, the company implemented two important measures to mitigate some of these potential impacts. First, the company changed the planned location of three wind turbines to avoid a small tract of caldenal woodland. Second, the company changed the planned routing of the transmission line to run under an existing high tension line instead of through an area of intact caldenal woodland. Furthermore, the company committed to conduct comprehensive monitoring of birds and bats during construction and operations phases.

Moving forward, the company will collaborate with biologists from the University of Rio Negro to implement a Native Forest Reforestation Plan to mitigate unavoidable impacts to caldenal woodland. New specimens of all vegetation will be implanted.. Specific project commitments for further mitigating potential impacts to species and habitat types of conservation concern are found in the project's ESAP.

5. Environmental and Social Action Plan (ESAP)

Item	Topic	Action	Deliverable	Completion Date
1	ESIA approval for the 132 kV HVTL	Provide Senior Lenders the ESIA and final approvals from the governing environmental authorities		July 2017 or prior
2	Integrated ESHSQ Policy for the project	La Castellana will have a policy aligned to the sponsor's own integrated EHSQ policy, but will include social elements (ESHSQ), including key principles and considerations around PS2 on labor and working conditions, PS4 on community health and safety, and PS1 stakeholder engagement and grievance resolution. The project will submit, in form and substance acceptable to the Senior Lenders, a procedure for risk and impact identification and hierarchical mitigation for the project aligned to paragraph 7 of IFC PS1, and a list of the priority risks and impacts of the project, indicating the party responsible for its management, and the mitigation measures proposed.		December 2017 or prior
3	Procedure for risk and impact identification and list of key risks			August 2017 or prior

4	Organizational structure of construction and operational staffing arrangements for La Castellana	The company will submit an organizational chart for all construction and operational staffing arrangements on the project.	July 2017
5	Emergency preparedness and response plan	Emergency preparedness and response plan that aligns with paragraphs 20 - 21 in IFC PS1. The plan will include considerations that affect the health and safety of workers, communities and visitors, including risks associated with interaction with animals and/or other vectors of illness, disease and outbreaks in the area. It will define the protocols to be actioned by the plant managers in the event of an emergency and any arrangements with emergency response teams (fire, police, medical care and ambulance services, etc.), including the terms and conditions of these agreements. The plan will also include measures to be taken during periodic maintenance of the WTG's, during which workers are exposed to the dangers and risks of working at heights. . The company will submit a monitoring and supervision program for the project that will measure the effectiveness of the management program, as well as compliance with legal and or contractual obligations, including the relevant IFC performance standards. The monitoring program will involve the active involvement and participation of all contractors to ensure maximum effectiveness.	October 2017
6	Monitoring and supervision program		October 2017

7	Human resources policies and procedures	<p>The project will adopt the main principles of Central Puerto's human resources (HR) policies and procedures and will require all contractors to do the same, in alignment with the objectives and requirements in PS2, specifically ensuring that documented information provided to workers is clear and understandable, including details around collective agreements, hours of work, wages, overtime, compensation, training, and benefits. The HR plan will be submitted, in form and substance acceptable to the Senior Lenders, within the timeline indicated in the ESAP</p> <p>The plan will include an organizational chart identifying the environmental, social, health, safety and quality (ESHSQ) functions of the project. To ensure ESHSQ considerations are managed consistently by all contractors, the project will establish a committee with members from each of the ESHSQ teams. The team will meet on a weekly basis to coordinate management of any work activities that they may have in common, and share experiences applying GIIP aligned to the project management programs, host</p>	August 2018
8	ESHSQ organizational chart and committee	<p>country legal requirements and IFC PS requirements. The project will submit, in form and substance to the Senior Lenders, the organization chart of ESHSQ teams and the objectives and function of the ESHSQ Committee. The plan will include a policy outlining the main principles guiding labor and working conditions at the project site, and will integrate procedures to ensure that the recruitment and management of workers complies with paragraphs 8 - 23 of PS2 in the case of direct workers; paragraphs 23 - 26 in respect to contracted workers; and paragraphs 27 - 29 in respect to supply chain workers.</p>	August 2017 or prior

9	Promoting employment of women	<p>The project will give women the same access and opportunity for employment as men with the same credentials and experience. The project will monitor the participation of women in its workforce at both management and non-managerial positions, during both construction and operations. Progress will be measured in key performance indicators, and reported back to the Senior Lenders on an annual basis. The project will provide the Senior Lenders with activities that could be promoted to encourage the employment of women on the project for both construction and operations. Contractors will be requested to promote the approach in their own recruitment efforts.</p>	August 2017 or prior
10	Grievance mechanism for workers	<p>The project will have a grievance mechanism for workers compliant with guidance in paragraph 20 in PS2. The project will submit, in form and substance acceptable to the Senior Lenders, the grievance mechanism identifying a timely and well documented process for adequately addressing and closing concerns, in a professional manner.</p>	August 2017 or prior
11	OHS management plan	<p>The project will submit an OHS plan for both the construction and operations phases of development of the project. The plan will include an organizational chart of key OHS personnel, including their roles and responsibilities; a list of training to be provided to workers, and its frequency; processes for reporting and managing work related incidents and accidents; and contingency and emergency preparedness and response measures, particularly during high risk activities like working from heights during the installation and maintenance of turbines and during the installation of electrical components.</p>	July 2017 or prior

12	Worker code of conduct	<p>All workers will be required to comply with a code of conduct prohibiting specific behaviors and activities that could put in danger the lives of the individuals themselves, other workers, flora/fauna and members of the local community. The project will submit, in form and substance acceptable to Senior Lenders, a project code of conduct to be read and signed by each worker at the time of hire / induction.</p>	July 2017 or prior
13	PS 3 Gap analysis	<p>The project will carry out a gap analysis between the regulatory requirements applicable to the project and those in the EHS Guidelines, and will ensure to apply the most stringent of the two moving forward.</p>	August 2017 or prior
14	Transportation management plan	<p>The transport management plan will include specific emergency preparedness and response measures to be implemented with assistance from local authorities in the event of an emergency. In the event of an accident, the project will take all measures to ensure that impacts to the public are mitigated and managed accordingly. The project will submit, in form and substance acceptable to the Senior Lenders, a transportation management plan identifying how it will ensure the safety and security of all those potentially affected during the transportation of project equipment and machinery in public areas.</p>	July 2017 or prior
15	Security management plan	<p>The project will contract the services of a private security company during both construction and operations. The project will submit, in form and substance acceptable to the Senior Lenders, a security management plan identifying what actions will be taken to safeguard the project site, its workers and assets. The plan will integrate guidance provided in paragraphs 12 – 14 of PS4.</p>	August 2017 or prior

16	Entitlement matrix for economically displaced persons	The project will prepare a record for each land owner, identifying details of the owner's land of the easements of passage of the line of high tension, assets (natural and physical), family size and profile, including a photographic registry of these. The project will prepare an entitlement matrix identifying the compensation (<i>indemnizacion</i>) rates and amounts to be paid to each landowner, in alignment with paragraphs 25 - 29 on economic displacement.		August 2017 or prior
17	Critical Habitat Impact Avoidance	Document measures taken to avoid impacting Critical Habitat, per PS 6 paragraph 17 Engage a qualified expert to perform bird and bat baseline studies, intended to cover all priority bird species identified within the ESRS, as well as bats, with the following parameters: - One-year duration - 3 days/week total field effort year round, with each day normally containing the following survey elements: · Three hours prior to dawn of active ultrasound acoustic recording for bats, using industry standard equipment · Three hours immediately after dawn of 20 minute point count surveys covering the entire wind project site · One hour for 20 minute surveys of water birds present within each of the two small salitrales located within 3 km of the wind project site · Three hours of vantage point surveys conducted at 1-3 points within the wind project area selected to contain adequate viewsheds for monitoring use of the airspace above the wind project area by raptors and other thermal soaring birds	Section to be included within August 2017 BAP	
18	Baseline bird and bat monitoring		-Scope of work and executed contract for baseline studies -Quarterly progress reports containing brief data summaries -Final bird and bat baseline monitoring report	June 2017 or prior Due within one month of the completion of each quarter of baseline monitoring July 2018 Due within three months of completing the one-year baseline study

19	Operations phase bird and bat impact monitoring	<p>Engage a qualified expert to perform bird and bat impact monitoring, intended to cover all priority bird species identified within the ESRS, as well as bats, with the following parameters:</p> <ul style="list-style-type: none"> - Three-year duration - 3 person x days/week total field effort year round, containing the following survey elements: <ul style="list-style-type: none"> · Systematic carcass searches of either 10-15 turbines if "full" search plots (radius = 50% of maximum blade tip height) or all turbines if "road-and-pad" search design is elected due to substrate searchability limitations · Under either design, each selected turbine searched once/week year-round · Discovered carcasses identified by qualified experts from direct examination of collected specimens, photographs, or both · Searcher efficiency bias correction applied by qualified experts following international standard best scientific practices · Carcass scavenging bias correction applied by qualified experts following international standard best scientific practices · Unsearched area correction applied by qualified experts following international standard best scientific practices · Overall, bias-corrected annual bird and bat fatality rates estimated by qualified experts following international standard best scientific practices <p>Engage a qualified expert to prepare a Biodiversity Action Plan (BAP), describing the biodiversity impact issues, biodiversity monitoring program, and impact mitigation measures in detail, following IFC guidance for BAPs, and including a detailed adaptive management section specifying specific, measurable impact thresholds that will trigger additional impact mitigation measures</p>	<p>-Scope of work and executed contract for operations phase impact monitoring</p> <p>-Quarterly progress reports containing brief data summaries</p> <p>-Annual bird and bat impact monitoring reports containing bias-corrected fatality rate estimates</p>	<p>June 2017 or prior</p> <p>(monitoring to be implemented within 3 months of commencement of wind farm operation)</p> <p>-Due within one month of the completion of each quarter of impact monitoring</p> <p>-Due within three months of completing each year of impact monitoring</p>
20	Biodiversity Action Plan		Completed BAP	January 2017 or prior

		Implement mitigation measures intended to achieve compliance with “net gain” requirement triggered by Critical Habitat determination, for CH trigger species, as specified within the CH determination report, as follows: -Chilean Flamingo (≤ 5 fatalities/year predicted)	Documentation of mitigation measure implementation and compliance with “net gain” requirement	September 2017 or prior
21	Impact mitigation	-Crowned Solitary Eagle (0 fatality/year predicted) -Yellow Cardinal (one-time loss of one individual due to habitat loss predicted) -Pampas Meadowlark (≤ 5 fatalities/year predicted) Note, nature of specific mitigation measures should be determined through consultation with local/regional biodiversity stakeholders and approved by lenders - Demonstrate compliance with IFC PS 6 paragraph 20 requirements for projects sited within internationally recognized Key Biodiversity Areas including IBAs, as follows: Demonstrate that the proposed development in such areas is legally permitted; - Act in a manner consistent with any government recognized management plans for such areas; - Consult protected area sponsors and managers, affected communities, indigenous peoples and other stakeholders on the proposed project, as appropriate; and - Implement additional programs, as appropriate, to promote and enhance the conservation aims and effective management of the area. The project will document this information in a formal stakeholder mapping and analysis for the project. The company will submit the analysis, in form and substance acceptable to the Senior Lenders, in alignment with guidance provided by the lenders.		
22	PS 6 Paragraph 20 Compliance		Documentation of compliance with requirements of PS 6 paragraph 20	June 2017 or prior
23	Stakeholder mapping and analysis			June 2017 or prior

24	Stakeholder engagement plan	The project will prepare a stakeholder engagement plan integrating guidance provided in paragraphs 25 - 28 in PS1. The project will nominate someone at the project level to implement the stakeholder engagement plan and ensure the timely resolution of any agreements and or grievances from stakeholders. .	June 2017 or prior
25	Community grievance mechanism	Grievances from directly affected persons will be managed directly by the plant manager, and an appointed person managing social issues and engagement with stakeholders. Communities and other stakeholders will be provided with a toll free number to speak to a paid service responsible for recording and ensuring grievances are answered, within a reasonable timeframe.	July 2017 or prior

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.