

1. General Information of the Operation

The operation consists of the creation of an uncommitted receivable purchase facility to finance the deferral of payments of end-user electricity bills in El Salvador, resulting from the implementation of the measures provided for in Presidential Executive Order #12 in response to the impact of the COVID-19 virus. This Executive Order provides for the suspension of electricity payments for three months beginning in April 2020, without incurring any late charges or interest fees, or affecting end users' credit ratings. The funds obtained from the transaction will be used solely to cover the temporary lack of liquidity resulting from the enforcement of Presidential Executive Order #12 in the Companies.

2. Scope of the IDB Invest's Environmental and Social Review

The environmental and social analysis of the proposed transaction consisted of a documentary review of the Companies' environmental and social performance over time, underscoring compliance with the following Performance Standards(PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; and PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; and PS 4: Community Health, Safety and Security.

3. Environmental and Social Categorization and Rationale

This transaction has been classified as a Category C operation under the IDB Invest Environmental and Social Sustainability Policy, given that its incremental impacts will be practically negligible and that the resources obtained from the transaction will not be used to make any capital investments but only to provide liquidity to the Companies while the economic restrictions generated by the COVID-19 pandemic endure.

4. Environmental and Social Risks

4.1 Assessment and Management of Environmental and Social Risks and Impacts

All the Companies have their respective Environmental Permit (equivalent to an environmental license) issued by the Ministry of the Environment and Natural Resources (MARN, for its Spanish acronym) upon approval of the corresponding Environmental Impact Study (EIS). This study includes plans, programs and actions to prevent, mitigate and compensate for the environmental and social risks that have been identified as relevant in their respective studies. These prevention, mitigation, or compensation actions are carried out through a solid environmental and social management system (ESMS), which has been implemented in the Companies in recent years.

Environmental verification has allowed us to confirm that the Companies have substantially and consistently complied with the requirements of their respective Environmental Permits.

4.2 Labor and Working Conditions

Labor issues are very well regulated in El Salvador in terms of working hours, wages, vacations, workers' compensation, and labor regimes, among other aspects.

Given that El Salvador is a signatory to several conventions of the International Labor Organization (ILO), including Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining; Convention No. 100 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation; Convention 135 concerning Worker's Representatives; Convention 151 concerning

Occupational Safety and Health; the Salvadoran Labor Code force recognizes the following rights of workers, regardless of the contractual regime binding them: (i) non-discrimination; (ii) remuneration for work performed; (iii) rest days, holidays, leaves of absence, bonuses and other benefits; (iv) non-exploitative working hours; (v) freedom of association and collective bargaining; (vi) occupational health, safety and security; (vii) social security; (viii) decent treatment; (ix) maternity leave and nursing, in the case of women; (x) retirement, pension or annuity; (xi) job stability or tenure; (xii) promotion or advancement; and (xiii) death benefit and life insurance.

The Companies comply with the requirements of the Salvadoran State in matters of labor and working conditions.

4.3 Resource Efficiency and Pollution Prevention

The Operation, being a commercial transaction of deferral of payments, will neither generate pollution nor demand the use of natural resources.

4.4 Community Health, Safety and Security

The Companies have their respective emergency prevention and response plans in place and duly approved through their Environmental Permits. The review conducted shows that, to date, no situations have arisen that could have endangered the health or safety of the population.

5. Proposed Management Measures

The reports regularly submitted by the Companies to the environmental authority (MARN) indicate that the management measures contained in the approved plans and programs included in the approved EISs are being implemented as planned.

6. Environmental and Social Action Plan

Given the characteristics of the operation, no Environmental and Social Action Plan is required.

Additional information:

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