

Environmental and Social Data Sheet

Overview

Project Name:	ENEL ENERGY EFFICIENCY & RENEWABLES FL (LATAM)
Project Number:	2020-0823
Country:	Regional - Latin America
Project Description:	A framework loan to support investments promoted by ENEL's subsidiaries in Latin America for the period 2021-2025.
EIA required:	This is a Framework Loan operation. Most underlying sub-projects (allocations) may require an ESIA.
Project included in Carbon Footprint Exercise ¹ :	no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Latin American countries will require significant additional external funding over the next few years for fulfilling their Paris Agreement commitments, in the context of the Intended Nationally Determined Contributions (INDCs) and existing decarbonisation paths of their economies, and in particular energy sectors.

The tentative pipeline submitted by the Promoter comprises of several large-scale solar PV and onshore wind generation schemes mainly in Brazil, Chile and Peru, as well as grid investments aiming at improving the quality and reliability of electricity services, at reducing losses across the networks and at overall improvement of the networks' operational efficiency mainly in Brazil and Chile.

Due to the nature of this operation, the final allocations and their environmental and social (E&S) impacts are not fully known at this stage. The Bank's eligibility criteria and procedures for Framework Loan operations will apply. All allocations will require ex-ante approval by the Bank prior to authorising the on-lending of funds to final beneficiaries. The Bank's requirements with regard to eligibility, including environmental and social criteria, will be incorporated into the finance contract.

The Promoter has an Environmental Policy, which is underpinned by four principles:

- (a) protect the environment by predicting possible impacts;
- (b) improve and promote environmental sustainability of products and services;
- (c) create shared value for the company and stakeholders and
- (d) meet legal compliance obligations and voluntary commitments by promoting an ambitious approach to environmental management.

The protection of biodiversity is one of the strategic objectives of the Promoter's environmental policy and is based on a specific internal policy adopted in 2015. The Promoter has an internal Environmental and Social Policy and Management System, as well as

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

organisational capacity to perform E&S due diligence, climate risk assessment and monitoring, ensuring compliance of the underlying investments with international standards. The Promoter's capacity to implement this FL in compliance with the EIB's Environmental and Social Standards and with the principles of the relevant EU directives is deemed good. In addition, the allocations under this FL are expected to be large projects, for which stand-alone due diligence will be performed and individual Environmental and Social Data Sheets will be prepared.

Environmental Assessment

The individual allocations under this FL will primarily include renewable energy (solar PV and onshore wind) generation plants. These plants are in principle required to undergo EIA processes in the targeted countries under the relevant national legislation. If they were located within the EU, they would fall under Annex II of Directive 2014/52/EU amending EIA Directive 2011/92/EU, requiring the competent authorities to determine whether an EIA is required. High Voltage (HV) lines connecting the renewable energy plants to the grid may fall under Annex I and would in this case mandatorily require an EIA if located in the EU.

With regard to the electricity distribution sub-projects, the majority of the allocations currently proposed comprise of medium and low voltage assets. Therefore, if located in the EU, they would fall neither under Annex I nor Annex II of the EIA Directive. HV lines and/or substations may fall under Annex I or II of the EIA Directive – subject to their characteristics and cumulative impact, an EIA may be required.

The investments have the potential for some environmental and social adverse impacts, including land degradation and soil erosion, vegetation clearance, disturbance during construction, electromagnetic fields and nuisance during operation. They may involve temporary loss of access to land or property due to the construction works within the right of way as well as crop and tree destruction. The promoter has the capacity and is committed to implementing the necessary mitigating measures at both design and construction stages. These typically include special construction procedures to minimise damages and disturbance, construction of facilities to contain oil leaking from transformers of grid infrastructure, soil restoration, traffic management measures, appropriate waste collection procedures and others.

In alignment with the EIB E&S Standards, an ESIA will be produced for all allocations under the FL. The Bank will review the ESIA (including the relevant screening decisions), as well as the Resettlement Action Plans (RAPs), Resettlement Policy Frameworks (RPFs) – as and when applicable – during the appraisal of each individual allocation. Whenever an ESIA process is required, the environmental and social impact study (EIS) and the non-technical summary of the EIS report will be provided in copy to the Bank prior to the Bank's approval of the allocation, and will be published. The same requirement will apply in the case of an RPF being applicable. During the review, the Bank will assess compliance of the aforementioned documents with the EIB's Environmental and Social Standards. For the renewable energy generation plants, particular emphasis will be placed on cumulative impacts and their consideration in the relevant EIS.

The Promoter will be required to verify that none of the allocations has a significant adverse impact on any site of nature conservation importance. Schemes (allocations) with significant E&S negative impacts will not be eligible under this operation.

The operation intends to generate environmental benefits by supporting sustainable energy infrastructure that helps to mitigate climate change. The operation complies with the Bank's Energy Lending Policy and is therefore Paris Aligned.

Social Assessment

The envisaged allocations may give rise to typical occupational and community health, safety and security risks and impacts. These risks are primarily linked to traffic, dust and noise

nuisances, presence of security personnel and the influx of labour force during construction. The promoter will secure the right-of-way, as necessary. The main mitigation and monitoring measures to address these risks/impacts and others will be considered in the respective Environmental and Social Management Plan (ESMP), and in the respective RPF/RAP, if applicable.

The Bank will require that the assessment of social impacts, including the development of necessary mitigation measures (as applicable), and compliance with national law and ILO Core Labour Standards will need to be ensured by the Promoter at allocation level in accordance with the Bank's Environmental and Social Standards. Schemes will require the acquisition, lease or easements of land for the installation of their components. The promoter will seek to secure voluntary agreements for the lands required for all schemes' assets. It is expected that the implementation of the schemes under this FL will not lead to involuntary physical displacement. Schemes with physical displacement and/or impact on indigenous people will be excluded from the project scope to be financed by the EIB.

Public Consultation and Stakeholder Engagement

The Bank will verify that disclosure of information and meaningful public consultation have been carried out or are both planned for, in the context of the ESIA process, as well as prior to and during the construction phase, and – if applicable – throughout the lifetime of the project. At allocation level, the Promoter will ensure that comprehensive grievance mechanisms, both for communities and for the workforce (including EPC contractor and sub-contractors), are in place during both implementation and the entire operation period of the schemes.

Stakeholder engagement activities will be conducted in compliance with national legislation, with the Promoter's guidelines on Stakeholders' Engagement – which is considered satisfactory by the Bank – and with the Bank's relevant E&S standards.

Other Environmental and Social Aspects

The Promoter has strong commitment to sustainable development, highlighted in its Corporate and ESG Policies and Procedures. The Promoter is ISO 14001 certified at group level and Environmental Management Systems (EMS) were activated and certified at the end of 2020 on almost all operating assets, while for the new plants and installations preparatory activities for certification are progressively planned.

Recent reports are pointing out the possibility of use of forced labour in the supply chain of solar PV panels. The promoter has a Human Rights Policy in place, including due diligence mechanisms, rejecting the use of any form of forced or compulsory labour. The promoter has reinforced its assessment process on supply chain sustainability, including on key aspects like forced labour and ethical practices.

Conclusions and Recommendations

The Promoter is fully aware of the Bank's E&S requirements and is willing/capable to implement them. The legal, environmental and social obligations under the national laws of each country and the Promoter's ESMS provide comfort and support the fulfilment of the EIB's E&S standards under this operation. The social and environmental impacts, as well as the relevant mitigation measures for the envisaged allocations, will be assessed by the Promoter in the context of the ESIA/RPF/RAP, which will then be reviewed by the Bank as part of the ex-ante allocation approval process. A separate ESDS will be produced per allocation. The investments targeted by the operation are not expected to have major residual social and environmental impacts, provided that all respective mitigation measures are implemented in full.

Luxembourg, 17.11.2021

The following conditions and undertakings will be included in the legal documentation of the Framework Loan. Other/Additional contractual conditions and undertakings may be decided at allocation level, and will be published in the respective ESDS.

- Under the allocation procedures, all underlying schemes, including their compliance with EIB E&S standards, will be reviewed ex-ante by the Bank.
- The Promoter shall not commit any EIB funds against allocations that require an ESIA or biodiversity assessment and/or an RPF/RAP/Livelihood Restoration plan (LRP)/Stakeholder Engagement plan (SEP) (as and when required) according to the EIB's E&S standards and/or national law without receiving consent from the competent authority, the prior approval of the aforementioned documents by the Bank, and the ESIA/RPF/RAP/SEP/LRP having been made available to the public.
- The Promoter shall store and maintain updated the E&S documentation that may be relevant to this operation (including but not limited to: EIA screening decisions, environmental and social studies related to the EIA, the Non-Technical Summaries of the EIAs, and Nature/Biodiversity Assessments or equivalent documents supporting the compliance with the Bank's E&S standards and principles of the EU Habitats Directive) and shall, upon request, promptly deliver such documents to the Bank.
- For schemes that may have an impact on a nature conservation site, the promoter shall obtain confirmation from the competent nature conservation authority, or an equivalent confirmation satisfactory to the Bank, that the scheme does not have a significant negative impact on any such site. Such confirmation should be delivered to the Bank before the funds are allocated. Schemes with significant negative impacts on areas with a high biodiversity value, nature conservation areas, shall not be eligible.
- Schemes (i) with significant, negative environmental and/or social impacts or (ii) requiring physical resettlement and/or (iii) with impact on indigenous people shall not be eligible.
- The Promoter will undertake to monitor and report to the Bank on the compliance with EIB E&S Standards, with a periodicity and scope yet to be defined for the individual allocations.
- The Promoter shall ensure that the supply chain of the solar PV panels used in any allocation is compliant with the applicable provisions of the relevant labour standard of the Bank, and avoids the use of forced labour. For this purpose, the Promoter undertakes to make reasonable efforts to carry out mutually agreed due diligence throughout its supply chain, with the aim of avoiding the use of forced labour in the supply chains of the solar PV panels that will be used for the respective power generation allocations. The Bank will assess this before the allocation of funds to the solar PV generation plants.

In view of the above findings and with appropriate conditions in place, the operation is acceptable for EIB financing in environmental and social terms.