

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

The proposed Operation's Environmental and Social Analysis consisted of a desktop review of the companies' environmental and social performance, underscoring compliance with the following Performance Standards ("PS"): PS1: Assessment and Management of Environmental and Social Risks and Impact; and PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; PS4: Community Health, Safety and Security.

2. Environmental and Social Categorization and Rationale

Pursuant IDB Invest's Environmental and Social Sustainability Policy, this Project has been classified as Category C given that its incremental impacts are practically negligible and that the Operation's resources will be allocated solely towards providing liquidity to the Clients for as long as the Tariff Stability Act remains in force, rather than to carry out specific capital expenditures.

3. Environmental and Social Risks

3.1 Assessment and Management of Environmental and Social Risks and Impacts

Where applicable, the Companies hold effective Environmental Impact Qualifying Resolutions (RCA's for its acronym in Spanish), which are equivalent to environmental licenses. This instrument considers plans, schedules, and measures to prevent, mitigate, and compensate the environmental and social impacts and risks deemed relevant in their respective environmental assessments, either Environmental Impact Assessments (EIAs) or Environmental Impact Statements (EISs). Each company has implemented these prevention, mitigation, or compensation measures via their Environmental and Social Management Systems.

The revision of the environmental and social documents show that the companies have substantially and consistently complied with the requirements of their RCA's and the applicable Chilean regulations.

3.2 Labor and Working Conditions

Labor matters in Chile are very well regulated in terms of working hours, salaries, vacations, workers' compensation, and work systems, among others.

As Chile is a signatory to Convention 105 of the International Labor Organization (ILO), Chilean legislation prohibits child labor in general terms, except for minors between the ages of 15 and 18 performing certain types of light work, provided that all of the following conditions are met: (i) the proposed duties must not be detrimental to their health or physical or mental development; (ii) their parents, relatives, or guardians must authorize them to work; (iii) the proposed work must not interfere with their studies; (iv) working hours cannot exceed 30 hours per week if the minor is still studying; and (v) working hours per day cannot exceed 8 hours in any circumstances. It also prohibits forced or unpaid labor, as well as discrimination against workers based on their race, skin color, sex or sexual orientation, ancestry, marital status, religion, political participation, and nationality, among others. Freedom of association and the establishment of trade unions are constitutional rights in Chile.

The Companies comply with the requirements of the Chilean State in all matters regarding labor and working conditions.

3.3 Resource Efficiency and Pollution Prevention

Most of the Companies produce clean energy from hydraulic, wind, photovoltaic, photothermal, or geothermal sources. Nevertheless, a few of them generate some energy from non-renewable sources, as described hereafter: i) Colbún, whose 3,236 MW of installed capacity include 1,601 MW produced by thermoelectric plants (1,143 gas, 350 MW coal, and 108 MW diesel); ii) Enel Chile, whose 7,303 MW of installed capacity include 2,580 MW produced by thermoelectric plants (almost 58% gas) and 476 MW by two coal plants, which will be respectively decommissioned by December 2020 and May 2022 at the latest; iii) AES Gener, whose 3,561 MW of installed capacity in Chile include 3,087 MW produced by thermoelectric plants, of which 3,015 MW are supplied by coal plants (including 764 MW from Guacolda Energía S.A.); and iv) Engie Energía Chile, whose 2,182 MW of installed capacity—together with its subsidiary, Eólica Monte Redondo—include 2,033 MW produced by thermoelectric plants (1,332 MW coal, 610 MW gas, and 91 MW diesel). These companies have voluntarily joined the Chilean State's effort to decarbonize the country's power grid by decommissioning its longest-running coal-fired generation plants by 2025, all coal plants by 2040, and reaching a carbon-neutral grid by 2050.

All the Companies have provided the Environmental Superintendency (SMA), as well as the relevant sectoral authorities, with regular feedback on their compliance with environmental, social, and occupational health and safety regulations, as required by the legislation in force.

3.4 Community Health, Safety and Security

All the Companies have their own emergency prevention and response plans, in force and duly approved in their RCA's. The revision made suggests that, to date, there have been no situations that could have endangered the public's health or safety.

4. Proposed management measures

The monitoring reports that the Companies submit to the SMA and to the Environmental, Social, and Occupational Health and Safety authorities, in accordance with the legislation and the RCA's, show that the management measures contained in the approved plans and schedules have been implemented as planned.

5. Environmental and Social Action Plan

Given the operation's characteristics, there is no need to draft an Environmental and Social Action Plan.

Additional Information

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