

In accordance with IDB Invest's Environmental and Social Sustainability Policy, the Transaction has been classified as Category B due to the fact that all individual projects to be financed have been or will be classified as either Category B or Category C. These projects may generate, to a greater or lesser extent, the following negative environmental and social impacts: i) air quality alterations, due to construction activities and subsequently as a result of the increase in traffic; ii) erosion due to the expected earthworks; iii) an increase in the levels of noise and vibrations resulting from the use of heavy machinery, and subsequently due to the increase in traffic; iv) minor loss of vegetation and forest cover; v) alteration in water quality and flows; vi) possible increase in spontaneous migration from other parts of the country to project areas in search of better economic and employment opportunities; vii) increase in the value of land adjacent to the works, resulting in possible real estate speculation; viii) disruption or diversion of vehicle traffic; ix) an increase in the risk of road traffic accidents as a result of increased traffic; x) impacts due to the extraction of stony materials; and xi) increase in the risk of occupational accidents during the construction phase. All of these impacts are estimated to be of medium to low magnitude and significance, and can be managed with previously known procedures. The Transaction will trigger the following Performance Standards ("PS"): PS1 - Assessment and Management of Environmental and Social Risks and Impacts; PS2 - Labor and Working Conditions; PS3 - Resource Efficiency and Pollution Prevention; PS4 - Community Health and Safety and Security; and PS5 - Land Acquisition and Involuntary Resettlement. The Environmental and Social Due Diligence (ESDD) process will verify whether other PSs must be activated. Each of the projects included in the first phase of the Transaction has obtained valid environmental permits and authorizations after submitting an Environmental Assessment Study (Estudio Expeditivo de Evaluación Ambiental) to the competent environmental authority for the entire corridor. Additionally, a Complementary Environmental Analysis has been carried out for each project in Phase I to comply with the requirements of IDB Invest's Sustainability Policy. IDB Invest will hire an independent environmental and social consultant to assist in the ESDD process, assess the probable environmental risks, confirm the categorization of each specific project and of the Transaction as a whole, assess management plans to mitigate these risks, and define an environmental and social action plan (ESAP) for each project in order to close any gaps that may exist between the information provided during the ESDD and the requirements of IDB Invest's Sustainability Policy.