

Environmental and Social Strategy (ESS) Hydroelectric Power Plant Expansion Project Yacyretá Aña Cuá - REGIONAL

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1. Scope and objective of the project and IDB Invest participation

The Yacyretá Binational Entity (the "EBY" or the "Client") was established in December 1973 between¹ the Republic of Paraguay and the Republic of Argentina, with the purpose of constructing and operating the Yacyretá Hydroelectric Power Plant² ("CHY") on the Paraná River, to generate clean, renewable and low-cost energy, in addition to improving the navigability of the river and regulating its floods.

In July 2019, the Board of Directors of the EYB resolved to initiate the process of "Mechanization of the Aña Cua Arm" (the "Project"), which provides for: i) the technological modernization of the CHY generating park, including the expansion of its generating park located in the spillway of the Aña Cua Arm; and ii) the increase in the plant's generation, thanks to the level difference created by the existing dam and the use of the ecological flow (which ranges between 1,000 and 1,500 m³/s), which, at present, is released without being turbined directly to the river through the reservoir's excess spillway.

The present operation consists of financial support to the EYB to complement the implementation of the Project (which began in 2020) through the construction of: i) two connection dams (one right and one left) in loose materials, each approximately 180 m long and 25.5 m high; ii) a powerhouse (which will house three vertical axis Kaplan turbines of 90 MW each, to generate a total additional installed capacity of 270 MW), and its complementary civil and mechanical works; iii) a fish transfer system to allow ichthyic fauna to migrate upstream of the dam (not provided for in the current plant); iv) the complementary electrical infrastructure, which includes (a) a transmission line 24.5 km long, at a voltage of 500 kV, (b) the Yacyretá Switching Station at 500 kV, composed of 4 bays and (c) the corresponding interconnection facilities; and v) a channel for the restitution of the turbined flow from the new plant to the river.

2. Environmental and Social Classification and Strategy

The Project has been preliminarily classified in Category B, in accordance with IDB Invest's Environmental and Social Sustainability Policy ("ESSP") because it may generate, among others, the following environmental and social impacts and risks: i) dust, gases and noise, from the use of heavy machinery and earthmoving; ii) domestic and industrial waste; iii) possible soil alteration, due to compaction effects and possible spills of contaminating material; iv) construction waste (excavation material, debris, paper, wood, metal remains, rags impregnated with grease, etc.); v) possible contamination of the river, due to earthmoving tasks and dismantling of the section of the current dam that is located between the two connection dams; vi) alteration of the water quality of the Paraná River, mainly due to the generation of

¹ Within the framework of the Yacyretá Treaty, approved by Law 20.646 of the Republic of Argentina (22.02.74) and Law 433 of the Republic of Paraguay (20.12.73).

² In operation since September 1994, with an installed capacity of 3,200 MW provided by 20 Kaplan turbines, each of 155 MW.

sediments; and viii) increase in occupational accidents, due to the tasks contemplated in the Project (work at height, in confined spaces and underwater; electrical work with live lines, among others)

To date, the EBY has obtained from the Secretariat of the Environment of the Republic of Paraguay the Environmental Impact Declaration that approves the Preliminary Environmental Impact Study of the Project (Declaration DGGCARN No.2457/2017) and its Action Plan Referred to the Environment ("PARMA").

The Environmental and Social Due Diligence ("ESDD") process will include, among other aspects, interviews with executives from the Client's key areas (environmental, social and occupational health and safety); the analysis of its Environmental and Social Management System ("ESMS"), including related plans and procedures; and an evaluation any additional environmental, social, health and safety, and labor information related to the Project. As a result of the ESDD, IDB Invest will confirm the categorization of the Project, identify any potential compliance gaps with respect to the ESSP, and define an Environmental and Social Action Plan ("ESAP"), to close such gaps.

Based on the information received and reviewed to date, the Performance Standards ("PS") that the Project would be triggering are: PS1: Assessment and management of environmental and social risks and impacts; PS2: Labor and working conditions; PS3: Resource efficiency and pollution prevention; and PS4: Community health and safety.

Once the ESDD process is concluded, a Summary of Environmental and Social Review ("ESRS") together with the corresponding ESAP will be prepared and published on this website.

3. Additional Information

For questions about the Project, please contact the Yacyretá Binational Entity:

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Additionally, and as a last resort, affected communities can access the Independent Consultation and Investigation Mechanism (MICI) of IDB Invest in the following way:

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