



Portland Caribbean Fund II

Environmental and Social Review

of InterEnergy Holdings

December 2016

Portland Private Equity conducted an environmental and social review prior to investment. The project's management team is committed to implement the identified environmental and social corrective measures and is working closely with Portland on its implementation. A summary of the environmental and social review is provided in the following chapters.¹

1. Contact information

Tito Sanjurjo is the Environmental and Social Officer at InterEnergy Holdings. Please contact him if you have any suggestions, comments or concerns regarding InterEnergy Holdings' environmental and social performance.

Tito Sanjurjo
501 Brickell Key Drive, Suite 501
Miami, FL 33131
USA
Email: tito@interenergy.com

Portland's Environmental and Social Officer is Douglas Hewson whom you can also contact concerning the project's ESG performance.

2. Transaction background

Portland Caribbean Fund II ("PCF II") is considering an equity investment of USD20M into InterEnergy Holdings ("IEH") to support its further expansion in the Caribbean and Latin American power and energy sectors. There are two additional equity investors in the contemplated transaction: a current IEH shareholder, IFC Asset Management Company's African, Latin American and Caribbean Fund ("ALAC"); and a new shareholder, Barings (formerly "Babson Capital"). They have indicated that they will be investing USD25M and USD150M respectively.

PCF II's consideration of the investment has benefitted from Portland's past experience with IEH. Portland, through its AIC Caribbean Fund, has been a shareholder in IEH since its founding in 2011. Hence, we are aware of IEH's progress made regarding environmental and social issues. Additionally, diligence and monitoring insights have also been gained from PCF II's USD15M investment in InterEnergy Penonomé Holdings, where it is a minority shareholder alongside IEH.

We based our environmental and social review on these insights, IEH's corporate annual monitoring report 2015, the annual monitoring reports 2015 for each portfolio company and the latest version of IEH's corporate environmental and social management system (ESMS). Please note that PCF II has also collaboratively engaged with IFC, on which ALAC relies for its investment environmental and social review. IFC has kindly shared its findings with respect to IEH's environmental and social performance. The tentatively agreed transaction approach between ALAC/IFC

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and Portland is to require an undertaking from IEH with respect to several matters reviewed herein.

3. Company and portfolio information

IEH is a holding entity active in power generation and distribution, as well as fuel distribution, and logistics in the Caribbean and Latin America. IEH is widely recognized as a pioneer in the region for renewable energy – whether through the development of the first wind park project in the Dominican Republic or its investment in the Laudato Si wind park in Panama. The latter was part of IEH's commitment to foster renewable energy in the region made at the 2013 meeting of the Clinton Global Initiative.

IEH's portfolio has currently a power generation capacity of approximately 1000 MW through operating assets in five countries:

- Consorcio Energético Punta Cana-Macao (CEPM) is a standalone electrical utility in the Dominican Republic generating, transmitting and distributing up to 200MW electricity – 100% controlled asset;
- Compañía de Electricidad de San Pedro de Macorís (CESPM) consists of diesel fired power plants with a total capacity of 300MW in the Dominican Republic – 60% controlled asset;
- UEP Penonomé II is a wind park project in Panama with a total capacity of 215MW – 83% controlled asset;
- Pedregal Power Company is a heavy fuel oil fired power plant with a total capacity of 55MW in Panama – 55% controlled asset;
- Jamaica Energy Partners consist of two power barges (124MW capacity) and a heavy fuel oil fired power plant (66 MW capacity) with a total capacity of 190MW in Jamaica – 100% controlled asset;
- Raki & Huajache wind farms with a total capacity of 15MW – 100% controlled asset;
- Gas Stream is a joint venture with Grupo Francolino for the distribution, storage and gasification of LNG in Chile – 50% minority share.

IEH entered unsuccessful bids in the recent Argentina tender (wind energy) and in the earlier Peru tender (solar energy). In the near term there are expansion plans for the Raki & Huajache wind farms and IEH is actively exploring the implementation of solar capacities in certain of its current assets.

4. Categorization and applicable standards

The investment into IEH is rated as a Category A project based on the potentially significant and diverse environmental and social impacts and risks of current and future portfolio companies and the company's strategic outline.

Generally, at the corporate level IFC Performance Standards 1 and 2 apply. At the portfolio company level all IFC Performance Standards as well as the relevant

industry specific Environmental, Health and Safety Guidelines apply. A baseline review of IEH's environmental and social performance was established in 2013 when ALAC and IFC each made USD50M equity investments. Since 2013 IEH has improved its environmental and social performance and implemented parts of the environmental and social action plan.

PCF II's environmental and social review has focused on the implementation status of IEH's ESMS, including its environmental and social organizational capacity, the current environmental and social performance, and the compliance gaps with respect to applicable standards.

5. Environmental and Social Management System

IEH engaged a third party consulting firm, Prizma, for the development of its ESMS. The latest version of the ESMS is comprehensive and detailed. IFC has made final comments which to date need to be approved by IEH's Board. The proposed changes largely seek to ensure that the ESMS obligations apply to both controlled and non-controlled assets of IEH. The latter is one of the 'transaction undertaking' items mentioned in the Transaction Background section above. The approval and full implementation of the ESMS is important as it will allow the corporate management team to have a better control on the environmental and social performance of all assets.

IEH improved its organizational capacity, on both corporate and portfolio levels. Approximately 25 employees work in the areas of environmental, health and safety, labor, and corporate social responsibility.

In the beginning of 2016, Luis Cases was hired for the role of the environmental and social coordinator at corporate level. He is under the direction of Tito Sanjurjo who is in charge of Asset Management and Operations. Luis Cases' role consists of a liaison function between all different portfolio companies regarding environmental and social issues. Besides this role he has other responsibilities at IEH. In January 2019 Tito Sanjurjo with the support of Larissa Paniagua took over Luis Cases' role as the environmental and social officer.

IEH's general ESG approach is to strengthen each portfolio company's environmental and social team in order to ensure environmental and social compliance at the operational level. Consequently, all controlled facilities have a team of environmental and social personnel, which individually responds to requests by investors and local authorities. Specific monitoring activities are subcontracted where necessary.

Additionally, IEH engages regularly the consulting firm Prizma, which is considered an integral part of its environmental and social team. Prizma developed a training program on the ESMS and provided this training program to all EHS personnel from Panama and the Dominican Republic. Prizma also performs environmental and

social impact reviews and monitors the investment compliance with IFC Performance Standards and EHS Guidelines.

6. Environmental and social performance and outstanding issues

Overall, IEH made progress in the implementation of the environmental and social action plan. Areas for improvement are the communication and reporting of its environmental and social activities and diligences. The effective communication and confirmation of results regarding the on-going application of the ESMS are key for its performance at corporate level.

IEH's commitment to provide efficient, clean and cost-effective energy is strong. Part of their overall contribution to the protection of the environment and local communities consists in the sanitization of acquired assets by switching to cleaner fuels, expansion of renewable energy investments and extension of electric distribution to low-income communities (such as with CEPM in the Dominican Republic).

Main outstanding environmental and social issues at the corporate level and portfolio level were identified.

7. Monitoring and reporting

Portland will ensure the on-going monitoring of the implementation of the outstanding environmental and social issues, at the corporate and portfolio levels. We will synchronize our requests and efforts with IFC for more leverage and better efficiencies. By the end of each fiscal year annual monitoring reports will be due.