



DUE DILIGENCE ASSESSMENT AT PROJECT LEVEL



MARCH 2023



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GLOSSARY

- EIA - Social Impact Assessment
- Grenergy - Grenergy Renovables S.A. and its group companies
- Guidelines - The OECD Guidelines for Multinational Enterprises
- O&M - Operation and Maintenance
- ILO - International Labour Organisation
- UNGPs - United Nations Guiding Principles on Business and Human Rights
- EU - European Union

EXECUTIVE OVERVIEW

The due diligence process is a human rights risk management tool to identify, prevent, mitigate and account for how a company addresses actual and potential human rights impacts. It identifies and assesses actual and potential human rights risks and impacts in both own operations and supply chains.

As a fundamental pillar of its *ESG Roadmap 2023* plan, Greenergy is committed to sustainability as a key element of its business strategy, which includes a commitment to respecting the dignity and rights of people. To this end, among other actions, it is developing a human rights due diligence system, which, although currently in an incipient phase, is being built on solid pillars.

Greenergy has sought advice from BHR to assess the human rights due diligence system at the level of some of its projects (the Projects), strengthen it, and review the measures taken to manage risks arising from operations and business activities, including the Projects' supply chain. This report sets out the main findings arising from the assessment of the Projects' human rights due diligence system, including the analysis of human rights indicators at its suppliers and contractors through the conduct of a survey.

Recommendations are included to support Greenergy in reviewing its processes and implementing good practices at Project level to achieve a more robust process, some potentially scalable to other projects excluded from this evaluation. The exercise has also identified good management practices that are being implemented as well as opportunities for improvement.

The assessment and recommendations cover a wide range of issues considered to be the most relevant following a prioritisation process carried out by BHR, including:

- labour rights of Greenergy's suppliers' workers in the projects,
- The supply chain, which poses challenges in relation to working conditions at the various stages, especially the more remote ones, including the risk of exploitative or even forced labour situations;
- rights at risk in the mineral sourcing process;
- impacts on local communities and indigenous peoples; and
- corruption.

The analysis of the surveys also reveals, in general terms, that Chile's suppliers are in a better position than Colombia and, above all, Spain. In relation to suppliers, those with the poorest results are: Enerfovol, Excavaciones Encinar, Cymergy Renovables and TCM. All the suppliers analysed present some deficiency in human rights issues, but especially these should be the subject of specific training on due diligence in order to improve the overall results of Greenergy's suppliers.

In addition to these issues, and with a view to the implementation of the recommendations in the longer term, suggestions are included regarding some cross-cutting elements and human rights governance, e.g. aligning the human rights and corruption agendas. Thus, one issue that requires further attention is the limited visibility and traceability at some stages of supply chains with regard to labour rights impact risks, e.g. arising from mineral sourcing, where more robust measures and increased collaboration with other key actors are recommended.

Finally, it is relevant to mention that, along with the development of this evaluation, a relevant collateral effect of the project has been the generation of capacities and a greater understanding and awareness of human rights issues at the level of Greenergy's areas and teams.

Summary table by theme

Complaint mechanisms

Performance of due diligence system	
Level of information accessed	

Working conditions (own staff)

Performance of due diligence system	
Level of information accessed	

Supply chain Working conditions in general

Performance of the Due Diligence System	
Level of information accessed	

Supply chain

Forced labour and other modern forms of slavery

Performance of due diligence system	
Level of information accessed	

Supply chain Equality and non-discrimination

Performance of due diligence system	
Level of information accessed	

Supply chain Minerals procurement

Performance of due diligence system	
Level of information accessed	



Communities

Performance of due diligence system	
Level of information accessed	

Indigenous Peoples

Performance of due diligence system	
Level of information accessed	

Right to energy

Performance of due diligence system	
Level of information accessed	

Security of persons

Performance of due diligence system	
Level of information accessed	

Corruption and transparency

Performance of due diligence system	
Level of information accessed	

1. INTRODUCTION

The corporate responsibility to respect human rights: context and trends

Since 2011, the United Nations Guiding Principles on Business and Human Rights (the *UNGPs*) state that all companies have "a responsibility to respect human rights" wherever they operate, including through their suppliers. To this end, they require companies to develop a due diligence process that enables them to identify the human rights impacts of all their activities and business relationships, prioritise their management and ensure mechanisms to prevent, mitigate and/or remedy those impacts.

The due diligence process ultimately allows for a diagnosis of risks and impacts as well as the subsequent action plan to prevent, mitigate and redress human rights impacts.

Alongside the *UNGPs*, legislation at national and international level is progressing in all regions. In the EU, the global epicentre of sustainability regulation, the proposed Directive on Corporate Sustainability Due Diligence has been adopted, in a broader context of measures to channel flows towards sustainable investment.

In the context of the Action Plan for Financing Sustainable Growth, the EU's "green" Taxonomy includes, in addition to environmental requirements, a minimum social standard for activities to be considered sustainable. In parallel, work is progressing on an EU Social Taxonomy or classification of activities contributing to social objectives, for which a consultation has just been launched.

Finally, the concept of *Just Transition* is a key tool to ensure that the transition to a climate-neutral economy is carried out in a fair manner, leaving no one behind, with a clear reference to social issues, including human rights.

This report assesses the management and due diligence system of the Projects with respect to some prioritised impacts and cross-cutting issues.

2. DEFINITIONS AND SCOPE

This evaluation covers selected projects in 3 countries of operation: Spain, Chile and Colombia. All the projects analysed are in the construction or operation phase.

Table 1. Projects (countries) covered by this evaluation

	Phase	Project
Spain	Operation	Escuderos
	Construction	Belinchón
Colombia	Operation	Tucanes
		Cerritos
		Los Caballeros
		Medina
	Construction	Montelibano
		Zawady/ Petalo Magdalena
Chile	Operation	Quillagua
	Operation	Javiera Carrera
	Construction	Mitchi
	Construction	Condor
	Construction	Ckilir
	Construction	Lockma
	Operation	Picunche
	Construction	Tierra
	Construction	Nan
	Operation	Saint Emilia
	Construction	Rari
	Construction	Rosario
	Construction	Violeta
	Construction	Pangui
	Construction	Lo Miguel
	Construction	Peñaflor
Construction	La Paz	
Construction	Arica 2	

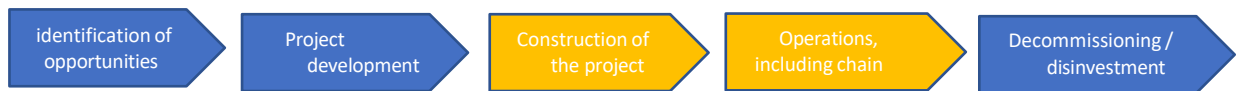
This scope poses a specific challenge, in particular in identifying areas of potential impact, as in each country, legislation, context, level of enforcement, degree of corruption, and other political, cultural, demographic, social, etc. factors may determine the level of likelihood of impact, severity, extent, etc.

To this end, country risk reports (see reports) have been conducted to determine various issues, including the level of effective regulation of human rights issues and their compliance with international standards (e.g. the effectiveness with which regulators monitor and enforce applicable regulation, the compliance of legislation with international standards, etc.) and other cultural, social and contextual determinants.

However, this work has not allowed for a field study to deepen the country-risk variant and this has limited the capacity to identify vulnerable groups in the countries of operation and in the specific territories where the selected projects are located.

Finally, with regard to Greenergy's activities for which the assessment is made, all projects are in the construction and operation phase.

Stages of the project cycle relevant to the exercise of human rights due diligence



In relation to *rights holders*, the following, among others, are considered following categories:

- Greenergy workers
- workers of suppliers or contractors
- subcontracted workers of suppliers
- indigenous communities and peoples
- global society
- other

3. PURPOSE, METHODOLOGY AND PHASES OF THE PROJECT

Object

This report aims to assess the due diligence mechanisms at the Project level in relation to those impact areas that have a "higher likelihood" of affecting human rights, and to identify possible gaps in the management of the prioritised impacts.

Methodology

The methodology used to establish the work plan, based on the UNRP and working in collaboration with Grenergy, was as follows:

- identification of potential impacts by BHR (UNGP 18), which consists of cataloguing relevant human rights standards and issues, understanding the context, the sector, the country, identifying those potentially affected, and projecting the human rights implications of business activity and business relationships; and
- the assessment of the systems in place in the Projects for the identification and management of impacts, as well as for the monitoring of the measures taken, and other aspects of due diligence at the Project level.

This evaluation exercise has been carried out for the most part on the basis of information grouped by country, without carrying out an exhaustive or individual evaluation of each Project, but rather of the due diligence systems in place for these Projects in each country in a generic manner. However, some specific information on some Projects has been accessed and used for their evaluation and is reflected throughout the report.

Selected interviews have been conducted telematically with key Grenergy personnel. However, due to the limitations of the scope of the exercise, in particular the lack of field travel and the lack of individual study of each Project, interviews have not been conducted with primary sources such as supplier workers, trade unions, workers' rights organisations in Colombia and Chile, communities and their representatives and members, or other companies in Grenergy's value chain, logistics and transport companies, etc.

Phases

The project has been developed in the following phases:

- identification of the most relevant human rights impacts by BHR and preparation of country risk reports for Spain, Chile and Colombia;
- review of relevant documentation;
- training for Grenergy teams and project suppliers in Spain, Chile and Colombia;
- interviews with selected individuals from Grenergy, where BHR builds knowledge about Grenergy and the context;



- sending and review of questionnaires to suppliers of the Projects in Spain, Chile and Colombia;
- final report, with recommendations for a short, medium and long-term human rights action plan to improve the Projects' due diligence system.

This report includes assessments and recommendations resulting from the documentation reviewed, interviews and analysis of the questionnaires sent to suppliers. The recommendations are not exhaustive and should be understood within the framework of a comprehensive, proactive and reactive due diligence exercise.

In each section, Greenergy's performance and the adequacy of the information accessed (through documentation or interviews) is assessed according to a colour code in which red equals below-target performance, followed by orange, yellow, and green being adequate performance. In any case, even in the sections where the performance is "green", it cannot be forgotten that due diligence is an ongoing exercise, dynamic and should be subject to constant review and continuous improvement.

6. CONCLUSIONS

Solar energy is the fastest growing renewable energy source. Greenergy is in the process of geographic expansion, with new projects in new geographies, which have great potential to contribute to the clean energy transition, but at the same time pose increasingly complex human rights risks that require attention in order to achieve a transition that is, at the same time, just.

Human rights impact risks change, and given the complexity and variety in which they can arise in a company's various operations and global supply chains, due diligence, as noted by the UNGPs, needs to be continuous, ongoing and dynamic.

In this regard, this report includes some recommendations and best practices that aim to support Greenergy in reviewing its processes and implementing best practices, and to continue on the path that the company has already embarked on. It identifies opportunities for improvement in current practices and processes, and proposes recommendations for a more robust due diligence process. These strategic recommendations and action steps are not exhaustive and should be reviewed in light of changing times, circumstances, and changes in Greenergy's operations, and the dynamic nature of adverse impacts³⁸.

Greenergy has taken fundamental steps to ascertain, ground and manage what human rights risks mean for its operations and supply chains and has robust due diligence systems in place to manage human rights issues. As an example of how Greenergy manages its potential impacts, it is worth highlighting the progress made in community management, with the hiring and reinforcement of teams in some projects, social teams on the ground, and practices to be able to transfer learning to other projects.

By conducting this assessment of human rights due diligence practices in the Projects, Greenergy demonstrates a strong willingness to assume its responsibility to respect human rights in line with the UNGPs.

However, there are some challenges to ensure that the due diligence system at the Project level is aligned with the requirements of the UNRP, notably supplier management.

³⁸ This is emphasised in the European Parliament Resolution of 10 March 2021 with recommendations to the Commission on corporate due diligence and corporate responsibility.



Annex 1

List of persons interviewed and list of documentation reviewed

Below is a list of the documentation reviewed by BHR in the context of Grenergy's due diligence project.

Global Social Relations Manager
Sustainability Director
Local Social Manager
Local Social Manager
Director of Operations and Maintenance in Chile
O&M supervisor.
Asset Management in Colombia
Global Asset Management
EPC and Mexico Director

Information available on the website

- Human rights policy
- Supplier Code of Conduct
- Sustainability Report 2021

Information provided by Grenergy

- Chilean Community Activities Register
- Environmental management plan for a solar project in Colombia
- Socio-Environmental Action Plan in Alignment with Equator Principles and IFC Standards

Annex 2 Supplier Questionnaire

A. COMMITMENT TO ADDRESS HUMAN RIGHTS RISKS

QUESTIONS			
1. Is there a human rights policy?	There is no human rights policy, nor is there any declaration of respect for human rights. humans	There are various policies on sustainability, a code of ethics and code of conduct that mention, at some point, rights humans	Yes
MARK YOUR ANSWER HERE			
COMMENTS			
2. Has a person responsible for the implementation of the human rights policy been designated?	Not particularly.	Yes, there are some people responsible for some human rights issues but there is no centralised coordination in someone.	Yes, there is a specific position and area responsible for human rights issues.
MARK YOUR ANSWER HERE			
COMMENTS			
3. Have orders on human rights management been issued to human resources departments, site managers, technicians, supervisors to reduce and address these risks?	No.	Yes, for some decision-makers.	Yes, for all of them that may have a bearing on human rights issues, including health and safety, contracting, human resources, environment, social and community relations, etc.
MARK YOUR ANSWER HERE			
YES, IT DOES SPECIFY WHICH ONES			
4. Has there been any training on human rights issues?	No.	Yes, but only occupational health and safety training has been provided.	Yes, some people have been trained in human rights issues apart from those who have been trained in human rights. labour issues.
MARK YOUR ANSWER HERE			
COMMENTS			
5. Are there policies against bribery and	No.	Yes, there is a policy anti-corruption but there is no	Yes, there is a policy anti-corruption, is given

corruption, are they implemented and enforced?		a system behind to analyse and follow up cases.	monitoring and other measures are taken to follow up on the issue, such as formations.
MARK YOUR ANSWER HERE			
COMMENTS			
6. Do you conduct social audits or have social certifications?	No.	Yes, we do social audits	Yes, we do audits and have some social certification.
MARK YOUR ANSWER HERE			Certification:
COMMENTS			
Operational measures			
7. Has any identification of human rights impacts been carried out that could have been identified? have the company?	No, never	Some partial evaluations have been carried out, for example in relation to the impact on the communities.	Yes, human rights impact analyses have been carried out in accordance with the methodology of the Guiding Principles.
MARK YOUR ANSWER HERE			
COMMENTS			
8. Are complaint and grievance mechanisms in place?	There are no complaint mechanisms.	There are channels of dialogue with stakeholders through which expectations and complaints are identified.	Yes, there are one or more formalised human rights complaints mechanisms that take into account the 8 criteria of effectiveness of the human rights instruments. Guiding Principles.
MARK HERE YOUR RESPONSE			
COMMENTS			
9. How are risks mitigated and impacts remediated in a project?	No risks have been detected / no impacts have occurred in our work.	When a human rights risk is detected, measures are taken such as reviewing what has happened and implementing measures to correct it.	When a risk is detected, the case is investigated and resolved in accordance with international standards. In addition, internal procedures are changed so that it does not happen again. occur.
MARK HERE YOUR RESPONSE			
COMMENTS			
11 Have impact risks been identified	No risks have been detected / no impacts have occurred to	There is a code of conduct for suppliers, which requires them to practice	There is a code and also measures to verify compliance such as audits.

negative through suppliers?	through our suppliers and we do not have any policies or codes for suppliers about this issue.	responsible to human rights when they work for us.	to suppliers most at risk in human rights. The most important suppliers have been trained on the issues of human rights.
MARK YOUR ANSWER HERE			
COMMENTS			

B. LOCAL COMMUNITIES

Projects are likely to impact on the rights of the inhabitants of local communities, including their rights to life, health and an adequate standard of living, including food, housing, clean water and sanitation, peoples' rights to free disposal of natural wealth and resources and to development through the use of agricultural, forestry and water resources that may normally be used for agriculture or pasture or cultural traditions.

- ➔ Human rights impact: the negative consequences for communities of the area of operation that affect the way of life enjoyed so far. They can be economic, social or cultural in nature.

QUESTION			
10. Are there discussions with communities to see what possible impacts we might have on their rights?	It is not done.	Grenergy does it, not us.	Yes, communities are consulted to determine what potential impacts our activities could have on their lives and livelihoods. rights.
MARK YOUR ANSWER HERE			
COMMENTS			
11. What is the human rights impact dialogue with local communities like?	Communities are informed before the start of the project, but once the operation has started, there is no need to continue the dialogue because any problems have already been solved. resolved.	A complaint system is in place at the operational level for these issues in order to respond to their demands.	Once the project has started, a person is appointed to regularly dialogue with the communities about possible new impacts through a process open to all community members.
MARK YOUR ANSWER HERE			
COMMENTS			

12. How are impacts on communities managed?	We have no impacts on communities.	We have an operations manual that mentions how to solve environmental issues only.	There is a community engagement manual that includes what to do to prevent and mitigate human rights impacts. There is a designated person responsible for monitoring and verifying the outcome through indicators. concrete.
MARK YOUR ANSWER HERE			
COMMENTS			

C. LABOUR RIGHTS

Preventing labour abuses, including the risk of forced labour, because of the severity of the impact, is critical.

The greatest risks associated with forced labour may exist in subcontracting in construction and general service operations, and in transport providers and call centres, etc.

There are also risks in the suppliers of machinery, materials, minerals and fuels which, in many cases, are located in countries with a high risk of impact on all aspects of labour (health and safety, trade union freedoms, forced and child labour, etc.), the environment and corruption, among others.

QUESTION			
13. Is there any monitoring of compliance with occupational health and safety standards, including training? mandatory?	No	Yes, we have a monitoring system but it is not followed up on an ongoing basis.	Yes, it is complied with and followed up.
MARK HERE YOUR RESPONSE			
COMMENTS			
14. Are other aspects monitored, such as working hours, whether workers have access to facilities	No	Yes, but only when there is a complaint.	Yes, this is done regularly and corrective action is taken.



(dining rooms, toilets, etc.)?			
MARK YOUR ANSWER HERE			
COMMENTS			
15. Do you know if your workers have trade union representation?	We do not go into that issue. It does not apply to us.	No, but we maintain a dialogue when necessary.	Yes, we actively support dialogue on a regular basis.
MARK YOUR ANSWER HERE			
COMMENTS			
16. Are non-discrimination, equality and diversity promoted, especially gender issues?	No.	Yes, we monitor this issue.	We have a policy of gender equality and diversity.
MARK HERE YOUR RESPONSE			
COMMENTS			
17. Is equal pay for equal work paid even to migrant workers or to those who work in the informal sector? premises?	No	Depends	Always
MARK YOUR ANSWER HERE			
COMMENTS			
18. Is the company's supply chain free of child labour?	No	We suspect something at a supplier but have not done anything about it.	Yes, we have investigated some cases.
MARK YOUR ANSWER HERE			
COMMENTS			

D. SECURITY AND HIGH-RISK CONTEXT

Security maintenance operations of project facilities must be carried out within an operational framework that ensures respect for human rights, especially in areas that may be considered risk areas.

QUESTION			
19. Have the circumstances that may determine a high-risk environment been analysed in relation to the operation?	No	Yes, circumstances are assessed to measure the risk to infrastructure and personnel.	We have conducted a study to analyse the circumstances (e.g. presence of armed groups, reduced state presence, reminiscences of conflict, corruption, etc.) that may determine a high-risk context and require the adoption of special measures to avoid impacts on these dynamics and on the human rights of women, people and communities.
MARK HERE YOUR RESPONSE			
COMMENTS			
20. In relation to security personnel, have measures been taken to ensure that they receive human rights training?	No	Yes, but it was only done once.	Yes, measures have been taken to ensure that the rights of workers and members of the community are respected by in-house staff, private security companies that are contracted. Staff have been trained in the limits of their authority and mandate, including the use of the adequate force.
MARK YOUR ANSWER HERE			
COMMENTS			

E. MINERAL EXTRACTION

The mining industry has come under scrutiny for its connection to conflicts and human rights abuses (poor working conditions, forced labour or exploitation of child labour), deforestation, increased levels of violence and pollution, and loss of biodiversity in several countries. Indigenous communities are often the most vulnerable to impacts caused by mining activities. The extraction of minerals for renewable energy production (panels, turbines, other equipment) can carry the risk of a project being linked to such impacts.

QUESTION			
21. Have measures been taken to identify possible human rights impacts at the extraction stage of the materials used, for example in relation to minerals used in some components?	No.	A mineral procurement policy is in place.	A risk identification and assessment policy is in place in accordance with the OECD Guidance on Responsible Sourcing of Minerals. In addition, mechanisms and measures are in place with regard to traceability of minerals: concerns are communicated to suppliers regarding the provenance of minerals and there is recurrent dialogue regarding the issue.
MARK YOUR ANSWER HERE			

F. RIGHT TO A CLEAN AND HEALTHY ENVIRONMENT

The connection between human rights and environmental issues is increasingly evident, with countries' legislation taking steps towards this recognition. The environmental impacts of projects can be severe, and in some countries state control may be insufficient, which does not reduce Greenergy's responsibility to avoid impacts.

The UN Human Rights Council has recognised in 2021 that the right to a clean, healthy and sustainable environment is a human right.

QUESTION			
22. How are risks such as water, air and soil pollution, water depletion or environmental destruction managed, which in turn may have an impact on the health of local populations and other human rights?	Only what is mandated by local regulation for these environmental impacts is implemented.	Measures have been taken to prevent or mitigate and, where appropriate, remedy human rights impacts arising from impacts on the environment.	Measures have been taken, in dialogue with affected communities, to prevent or mitigate and, where appropriate, remedy human rights impacts arising from environmental impacts. Monitoring is carried out.
MARK YOUR ANSWER HERE			
COMMENTS			