

1. Overview of Scope of IIC E&S Review. The environmental and social review of the proposed transaction was carried out based on interviews with two of the proposed developers for the projects. 2. Environmental and Social Categorization and Rationale. This operation is classified as an FI-2 under the IIC's Sustainability Policy. Based upon the nature of this transaction (i.e. a partnership to finance the installation of small-scale solar rooftop facilities), there are likely to be minimal to moderate indirect environmental, social, or health and safety (ESHS) and labor impacts and risks. The average solar installation size is expected to be 100KWp at an average investment cost of US\$85,000. No individual project can exceed 3% of the total loan amount or 500 KW in capacity. 3. Environmental and Social Risks and Impacts. Sub-project environmental and social risks will relate to occupational health and safety, and labor-related issues commonly associated with small-scale construction. Each participating developer will be required to manage these risks through the development and implementation of an Environmental and Social Management System (ESMS) in accordance with IFC Performance Standard 1. This ESMS will detail good practice standards specific to health, physical hazards, equipment safety, and safety planning and training, risks most commonly associated with rooftop solar installation. 4. Mitigation Measures. In accordance with the IIC Sustainability Policy, each developer will implement an IFC Performance Standard 1 compliant ESMS. Given that five developers are estimated to participate in the Facility, a consultant will be hired to develop a template ESMS that will be applied across the developers to ensure consistency. Technical Cooperation (TC) funds have been identified for this cost. The ESMS will include at a minimum (i) the development of an Environmental and Social Policy that clearly states the requirements and standards that apply in sub-project investments; (ii) internal capacity within Mexico to manage related ESHS sub-project risks; (iii) a due diligence process to identify and categorize E&S risks; (iv) an external communications and grievance mechanism; and (v) emergency preparedness procedures.