

Based on the limited information available, the project is anticipated to be classified as a Category "B" according to IDB INVEST's Environmental and Social Sustainability Policy, because it will generate impacts that could be avoided, mitigated or managed according to performance standards, available technology and guidelines and previously known constructive and management criteria for this type of project. However, depending on the extent of the impacts to air quality, contamination of soil, water and groundwater, barriers to bird migration (especially due to the power line), analysis of cumulative impacts, and on the public consultation and disclosure process in accordance with IDB INVEST's Disclosure of Information Policy, the project could be re-classified as Category "A".

From an environmental, social and sustainability stand point, this Project is part of three (3) macro programs of the Government of Mexico City ("GCDMX"), which are:

- The General Development Program of the Federal District, Mexico 2013 - 2018, Point 4 of which ("Habitability and services, public space and infrastructure") is intended to promote efficient integrated management of solid waste at a social, educational and environmental level, as well as in the operation, management, treatment, use, recovery and final disposal of said waste.
- The Solid Waste Management Program for Mexico City 2016-2020, in which the GCDMX sets out, as part of its objectives: (1) to promote the development of solid waste management plans; (2) to strengthen the design of new instruments; (3) to study alternative technologies for the use/recovery and treatment of waste; and (4) the integrated management of solid waste at the metropolitan level.
- The Mexico City Climate Action Program 2014-2020, in which a stated goal of the Secretariat of Works and Services (the "SOBSE", its acronym in Spanish) is to reduce greenhouse gas emissions from the treatment and disposal of solid waste in Mexico City. This is to be achieved through the implementation of different technologies such as thermal conversion and other transformation processes for the utilization of waste within Mexico City.

The following relevant Environmental and Social (E&S) information has been provided by: i) the Regional Environmental Impact Statement (MIA in Spanish) for the whole project (MIA Regional - Aprovechamiento del Poder Calorífico de los Residuos Sólidos Urbanos para la Generación de Energía Eléctrica), which was submitted to the Environmental Ministry (Secretaría de Medio Ambiente y Recursos Naturales - SEMARNAT) on June 19, 2017 and was approved on August 29 of the same year (both the MIA and an Executive Summary Report are available at the SEMARNAT official website - <http://www.semarnat.gob.mx/gobmx/transparencia/constramite.html>); and ii) the Social Impact Assessment required by the Electrical Industry Law (LIE in Spanish).

IDB Invest will conduct a full environmental and social due diligence (ESDD) that will include document review, site visits, and meetings/interviews with key stakeholders as well as the evaluation of environmental and social management gaps with respect to its E&S Sustainability Policy, and proposal of mitigation measures in the form of an environmental and social action plan (ESAP) and an Environmental Monitoring Report (at least annually during the life of IDB Invest investment), to be presented to the client for consideration. In addition, an environmental and social review summary (ESRS) of the Project, will be prepared and will comply with IDB Invest's Information Disclosure Policy.

As mentioned in the above documents and especially in the MIA, which expressly mentions that the "Project will not generate significant environmental impacts; this is concluded from the mitigation measures considered", the main environmental, social, health and safety (ESHS) risks and impacts, both cumulative and residual, during the implementation / construction and operation and maintenance phases (O & M) of the Project (SEGA, SA de CV, 2016), are: i) air quality being affected due to the emission of combustion gases and particles into the atmosphere; ii) use of raw and potable water; iii) effects impacting the abundance of various individual animals; iv) effects on the flow of traffic; and v) potential impact on public health due to the construction and operation

activities of the Plant.

In the same way, both documents present strategies and activities that will be an integral part of the Project, described in greater depth in those documents, which have as their purpose the prevention and mitigation of environmental and social impacts, both cumulative and residual, including among others: i) the integration of technological elements that are an integral part of the design of the Project from its initial conception, and whose purpose is to reduce the levels of atmospheric emissions resulting from the thermal treatment of urban solid waste as much as possible (Emissions Measurement System - CEMS); ii) the execution of works and infrastructure for efficient water management, which includes everything from rainwater collection and the treatment of the industrial water that will be used in the operation of the project, to the treatment and continuous reuse of the sanitary effluents and of the productive process of the Plant in such a way that the consumption of potable water for the operation of the Plant is almost entirely reduced; iii) good environmental practices in construction processes, as well as specific guidelines for the implementation of specific programs, such as the Bird Monitoring Program, the Wildlife Rescue and Relocation Program, and the Comprehensive Waste Management Program. Finally, there will be an Environmental Monitoring Plan (MAP) under which the control and compliance of the corrective measures will be carried out.

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