

1. Overview of Scope of IIC Environmental & Social (“E&S”) Review. The environmental and social review of the proposed transaction was carried out through desk research of pertinent information from the client. This included a review of basic credit procedures applied by Locfund II. 2. E&S Categorization and Rationale. The portfolio of microfinance loans is considered low risk given the concentration in commerce and services. Through its MFIs, Locfund II has reached roughly 1.3 million microfinance sub-borrowers with an average sub-loan of US\$1,233. Per the IIC’s Environmental and Social Sustainability Policy, this Financial Intermediary (“FI”) operation has been categorized as FI-3. 3. E&S Risks and Impacts. The E&S risks of underlying transactions are considered negligible. Nevertheless, Locfund II has developed and applies an exclusion list, along with other local law requirements. These procedures have been developed as a result of historic funding from a range of other Development Finance Institutions (“DFI”) lenders 4. Mitigation Measures. Locfund II will be required to ensure that all underlying microfinance loans comply with the IIC Exclusion List, and applicable local environmental and social laws. Locfund II has illustrated the incorporation of basic E&S procedures into its manuals. 5. E&S Action Plan. No E&S Action Plan is required.