

ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

1. Scope of Environmental Review

IDB Invest environmental and social officers held conference calls and exchanged documentation with representatives from Kingo to assess current environmental and social performance, to identify gaps, and to develop the Environmental and Social Action Plan found at the end of this summary.

2. Environmental and Social Categorization and Rationale

According to IDB Invest's Environmental and Social Sustainability Policy, the operation has been classified as a low risk Category B project, as its potential environmental and social impacts and risks are considered moderate-to-low, are generally limited to the project sites, are largely reversible and can be mitigated via measures that are readily available and feasible to implement in the context of the investment.

The main environmental and social risks associated with this operation are: (i) occupational health and safety risks to workers installing rooftop equipment or traveling to or from remote field sites; (ii) health and safety risks (especially fire and explosion risks) to workers and communities associated with battery storage facilities; and (iii) pollution risks related to storage and disposal of used batteries.

This operation triggers the following IFC Performance Standards (PS): PS1 Assessment and Management of Environmental and Social Risks and Impacts; PS2 Labor and Working Conditions; PS3 Resource Efficiency and Pollution Prevention; PS4 Community Health, Safety, and Security; and PS7 Indigenous Peoples

3. Environmental and Social Context

Kingo serves primarily rural communities where access to the electricity grid is limited. Many of these communities are comprised of a high proportion of indigenous peoples or otherwise vulnerable populations. The Company offices and storage facilities are located in urban areas in Guatemala City (headquarters); Coban, Alta Verapaz; and Santa Elena, Petén.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

Kingo has a well-developed *Code of Ethics and Conduct*, which serves as a general human resources, environmental, and social policy and that commits the Company to basic tenets of equal employment opportunity, and to compliance with all pertinent environmental, health, safety and labor laws. All Kingo employees are required to sign a document confirming that they have read, understood and accepted the contents of the Code. The Code enforcement is the responsibility of Kingo's Ethics Committee.

Kingo is a relatively young company with a small environmental footprint and with principal activities with relatively low environmental and social risks. Therefore, Kingo has not yet invested in the development of a formal Environmental and Social Management System (ESMS). To help bring the Company up to International Good Practice standards, IDB Invest will provide Kingo with Technical Assistance from an industry-leading environmental consulting firm which will assist Kingo to develop an ESMS that will be

compliant with IDB Invest policies and consistent with Good International Industry Practice. The scope and detail of the ESMS will be commensurate with the risk level of the company's activities. The ESMS will include, among other components, the following:

- (i) an overarching Environmental, Social, Health and Safety and Labor policy, incorporating and expanding on the existing *Code of Ethics and Conduct* and the *Internal Regulation* (described below);
- (ii) a description of the organizational lines of responsibility for implementation of the ESMS;
- (iii) a summary of the regulatory contexts in which Kingo's activities occur, and a process for tracking compliance with legal requirements—including those related to environmental permitting – paying special attention to requirements related to commercial operations within national protected areas;
- (iv) processes for identifying and documenting all risks and potential impacts related to Kingo's activities and those of principal contractors (e.g., security contractors);
- (v) management plans to mitigate identified risks, including a Security Management Plan (to be applied to any contracted security personnel), a Pollution Prevention Plan (including plans to ensure new and used batteries are stored, handled and disposed of properly), and an Occupational Health and Safety Plan (including motorcycle safety training and enforcement, provisions for Work at Heights, and fire safety training tailored to handling fires involving lead-acid batteries and lithium-ion batteries);
- (vi) an Emergency Preparedness and Response Plan, covering Kingo's employees as well as residents of communities adjacent to facilities where Kingo stores new and used batteries;
- (vii) an Indigenous Peoples Engagement Plan for ensuring that indigenous peoples in communities where Kingo operates are adequately informed, in a culturally appropriate manner, of the benefits and costs of owning or operating a Kingo;
- (viii) a Community Grievance Mechanism, to ensure that any grievances from customers or other community members where Kingo operates are documented and addressed systematically by Kingo staff;
- (ix) an employee grievance mechanism, defining roles and responsibilities, and ensuring that grievances are redressed within a reasonable, defined timeframe;
- (x) monitoring and review mechanisms to ensure that employees and contractors perform their work in compliance with the ESMS;
- (xi) a reporting mechanism to ensure that Kingo management and IDB Invest are kept informed of the performance of the ESMS.

As a condition of the IDB Invest loan, Kingo will commit to fully developing and implementing this system within a reasonable timeframe. In addition, the Company will appoint an Environment, Health and Safety manager, reporting directly to the Chief Operating Officer, to oversee the implementation and continual improvement of the ESMS.

4.2 Labor and Working Conditions

Kingo has a well-structured *Internal Regulation* ("*Reglamento Interno*") that codifies the Company's human resources policies and general terms of employment. The Regulation makes clear the requirement that workers present evidence that they are of legal working age before they can be hired. It also defines the rules related to the work schedule—including the benefits for working overtime, and the repercussions for infractions. Other benefits are also described, such as time off for certain major life

events, in conformity with Article 61 of the Work Code (Código de Trabajo reformado por Decreto No. 64-92 del Congreso de la República).

The Regulation also contains human resources procedures. These include a basic employee grievance mechanism, which describes the process by which employees may lodge complaints and the commitment of the company to resolve such complaints within a fixed amount of time. The Regulation stipulates that first aid kits must be made available to all employees and provides a basic table of appropriate first aid responses for several classes of injuries.

As mentioned above, the ESMS that Kingo will develop with assistance from IDB Invest will include an Occupational Health and Safety (OHS) plan to identify and mitigate the company's key OHS risks. This Plan will address, among others, the following key risks: traveling by motorcycle for work-related activities; storage, handling and disposal of large numbers of batteries; and Work at Heights during installation of solar panels on rooftops. The ESMS will also include an Emergency Preparedness and Response Plan that will describe the specific actions to be taken in case of significant workplace accidents.

4.3 Resource Efficiency and Pollution Prevention

Kingo disposes of all of the used lead-acid batteries from its devices at a battery recycling facility in Guatemala City. This facility is certified by the Green Lead program for its environmentally responsible management of the collection, packaging, transport and recovery of used lead acid batteries. As part of its new ESMS, the company will include procedures for identifying and mitigating risks related to battery disposal via this or any other service provider. The ESMS will also include plans and procedures for battery storage and handling—as well as the storage and handling of any other hazardous materials on Kingo property (e.g., lubricants and used filters from company-maintained vehicles)—in a way that minimizes the potential for contamination of soils, ground water or surface water.

4.4 Community Health, Safety and Security

The Emergency Preparedness and Response Plan will include provisions aimed at ensuring the safety of the communities surrounding Kingo's warehouses. Specific risks that this Plan will address include, among others, traffic risks (from Kingo employees or contractors entering and leaving the warehouses) and fire risks. Regarding fire risks, the Plan will include procedures for ensuring that potentially affected neighbors are included in any fire safety procedures, and that Kingo educates these neighbors about such procedures.

To protect its physical assets, Kingo uses armed security personnel. These personnel work for a reputable security services provider. Kingo will include in its ESMS, and in any existing or new contracts with security service providers, all necessary provisions to ensure that the company complies with the security personnel requirements set forth in IFC Performance Standard 4, paragraph 13.

4.5 Land Acquisition and Involuntary Resettlement

No land acquisition or involuntary resettlement will take place as part of this Project.

4.6 Biodiversity Conservation and Natural Habitats

The Project will not affect biodiversity or natural habitats.

4.7 Indigenous Peoples

Many of the rural communities in which Kingo is active are made up largely of indigenous peoples. Kingo’s ESMS will include an Indigenous Peoples Engagement Strategy, which will include procedures for the following: (i) identifying those communities where indigenous peoples are present; and (ii) informing the indigenous population in those communities in a culturally appropriate and accessible manner about the benefits and costs of obtaining and using a Kingo unit.

4.8 Cultural Heritage

The Project will not affect any cultural heritage.

5 Local Access of Project Documentation

www.kingoenergy.com

6 Environmental and Social Action Plan

Ref #	Action Description	Deliverable/Indicator of Completion	Completion Date
1	<p>a. Develop and implement an Environmental and Social Management System (ESMS) consistent with IFC Performance Standard 1 and acceptable in form and substance to IDB Invest.</p> <p>b. Perform an audit report detailing performance of all elements of the ESMS</p>	<p>a. Fully documented ESMS</p> <p>b. Copy of internal audit report (“Environmental and Social Compliance Report”) detailing performance of all elements of the ESMS</p>	<p>a. Prior to First Disbursement</p> <p>b. Annually from date of First Disbursement</p>
2	Appoint a qualified E&S Manager, reporting directly to the Chief Operating Officer, with primary responsibility being to lead the development and implementation of the ESMS	CV and Terms of Reference for E&S Manager.	Prior to Financial Close

7 Contact Information For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.

