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A. Investment Summary

Disclosed Date:	March 19, 2020
Project Name:	Konfío Warehouse Line
Project Number:	13057-01
Investment Type:	Financial Markets
E&S Category:	FI-3
Projected Approval Date:	April 19, 2020
Company name (Borrower):	An SPV to be incorporated in Mexico for the purpose of this transaction
Sponsors:	Red Amigo Dal, SAPI de CV, SOFOM, ENR ("Konfío")
Sector:	Financial Services
Financing Requested:	Up to MXN 1,300,000,000
Financing Currency:	MXN
Project Country:	Mexico
Team Leader:	Gonzalo Aráuz
For inquiries about the Project, contact:	Gregorio Tomassi Director of corporate strategy & investor relations +52 (55) 4161 3564 gregorio.tomassi@Konfio.mx

Project Scope and Objective:

Konfío is an online platform that revolutionizes corporate credit processes in Mexico, making it easier for micro, small, and medium enterprises (MPYMES) to access formal financing through technology, data science, and efficient digital transactions. The objective of the transaction is to support Konfío to: (i) expand its lending activities in Mexico; and (ii) consolidate its presence as a recurrent issuer of asset backed securities in the capital markets. For this purpose, IDB Invest will provide a local currency denominated warehousing line (the "WHL") to a special purpose vehicle incorporate in Mexico (the "Borrower" or "SPV") for up to MXN 1,140 million (the "IDB Invest Financing" or the "Financing"). The Financing will be composed of two tranches: (i) a committed tranche for up to MXN 570 million (the

“Tranche 1”); and (ii) an uncommitted tranche for up to MXN 570 million (the “Tranche 2”). The Borrower will only use the proceeds of the WHL to purchase and accumulate MSME loans, originated by Konfío, in according to eligibility criteria acceptable to IDB Invest, for their future securitization in the capital markets.

B. Environmental and Social Review

1. Scope of Environmental and Social Review The environmental and social analysis of the proposed transaction consisted of reviewing the Client’s documentation and website, in addition to a telephone call with its management. Konfío has previous working experience with multilateral banks and is familiar with lender E&S requirements.

2. Environmental and Social Categorization and Rationale

The proposed financing facility for SMEs is classified as an FI-3 operation (low risk) under IDB Invest's Sustainability Policy. Konfío’s current and future portfolio of operations consist of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

Konfío’s mission is to drive the growth of small businesses in emerging markets. Microcredit sub-loans are for up to US\$8,000 with a 12-month term. Sub-loans for SMEs amount up to US\$14,000 with a term of approximately 18 months. All its sub-loans are located in Mexico; they are distributed throughout the country, although the central region has the largest share (38%).

The four main sectors in its portfolio are: Trade (34%), Construction (12%), Professional Services (11%), and Manufacturing Industries (10%). Less than 1.4% of the portfolio is allocated to agriculture and forestry. Most loans are originated on a virtual platform and are without collateral. Category A sub-loans, per IDB Invest’s definition, will not feature under Konfío’s on-lending program.

3. Environmental and Social Risks and Impacts

Konfío has 415 employees, 120 of whom are women (29%). Of the 14 management positions, 5 are held by women. Konfío has a Human Resources policy, an exclusion list, and a Code of Ethics that includes a dedicated email to register grievances with the Conduct Committee, which is responsible for registering, classifying and following up on grievances.

The environmental and social risks of this transaction have to do with Konfío’s capacity to assess and manage the risks associated with its loans. Considering the limited environmental and social risks, Konfío has in place the basic environmental and social procedures consistent with the requirements of IDB Invest’s Sustainability Policy.

4. Mitigation Measures

Konfío will be required to ensure that all sub-loans comply with IDB Invest requirements, namely, the Exclusions List and applicable local and national legislation. For Konfío’s staff to better understand IDB Invest’s requirements, those responsible for E&S compliance will take the IDB

Invest online course¹ for financial intermediaries. The free online course "Environmental and Social Management Systems" will help Konfio's staff incorporating environmental and social practices into the company's risk management.

5. Environmental and Social Action Plan:

Not applicable.

- 6. 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 requestinformation@idbinvest.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 MIICI@iadb.org, or calling +1(202) 623-3952.

¹ <https://cursos.iadb.org/es/indes/sistema-de-gesti-n-ambiental-y-social-una-oportunidad-de-negocio>