

Environmental and Social Review Summary (“ESRS”) Sicoob Financing for MSMEs and Women-Led MSMEs in Brazil / 15641-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed transaction consisted of a review of documentation (policies, plans, and procedures), as well as information related to the Micro, Small and Medium Enterprises (“MSME”) portfolio of Banco Cooperativo Sicoob S.A. and the Sistema de Cooperativas de Crédito do Brasil (“Sicoob” or the “Bank”), an existing client of IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction has been categorized as FI-2 in accordance with IDB Invest’s Environmental and Social Sustainability Policy, as the subprojects to be financed are expected to present moderate E&S risks. The financing will exclusively support the growth of Sicoob’s MSME portfolio, a portion of which will target women-owned / women-led MSME.

The Bank defines MSME as companies with annual gross revenues of up to BRL300 million (approximately US\$60 million at current exchange rates). The sub-loans in the Women led MSME portfolio have an average amount of approximately BRL 11,495 million (~US\$2.3 million at current exchange rates) and an average term of approximately 28 months. Within the MSME enterprise portfolio, the four sectors with the highest participation are: (i) Trade and Vehicle Repair (19%); (ii) Manufacturing (8%); (iii) Transportation, Storage and Postal Services (5%); and (iv) Accommodation and Food Services (2%).

The Performance Standards (“PS”) applicable to the transaction are: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; and (ii) PS2: Labor and Working Conditions. Sicoob will not use the proceeds of the loan to finance Category A Subprojects (high-risk), as defined by IDB Invest, nor those involving activities listed on the IDB Invest exclusion list.

The transaction is considered Paris Agreement aligned based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main environmental and social risk of this transaction is related to bank’s ability to assess and manage the E&S risks and impacts associated with its financing activities. These E&S risks and impacts may involve worker health and safety, labor rights, waste generation, community health and safety, climate change, land use change, among others. The E&S risk level associated with the subprojects is considered moderate.
- 4. Mitigation Measures.** Sicoob has an Environmental and Social Management System (“ESMS”) in place that applies across its loan portfolio supported by a dedicated team for its implementation. The ESMS is primarily based on requirements established by Brazil’s Central Bank regulations for Environmental, Social, and Climate (“ESC”) risk management and incorporates information systems and databases to facilitate the identification, assessment, classification, and monitoring of ESC risks. Furthermore, agribusiness-related loans are subject to monitoring through satellite data to assess deforestation risk, using a centralized platform supported by an external provider for data analysis.

Siccoob has human resource management policies that establish principles and guidelines related to transparency, equality, and non-discrimination, promoting a fair and safe work environment. These include a diversity policy and a Code of Ethics that includes a grievance mechanism available to employees. Stakeholder grievances or inquiries can be submitted through various channels listed on Siccoob's website.

Siccoob will be required to ensure that all subprojects within the asset class financed (MSME portfolio) by IDB Invest comply with local E&S regulations, IDB Invest's Exclusion List, and the bank's current ESMS.

5. **Environmental and Social Action Plan ("ESAP").** N/A.
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 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.