

Environmental and Social Review Summary (“ESRS”)

CMAC Cusco: Equity Investment to Support the Growth of MSEs in Peru / 15435-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction was carried out during the first quarter of 2026, through a review of documentation, conversations with the Sustainability Department, and during the process of supervising and updating IDB Invest’s sustainable finance scorecard. The policies and procedures related to E&S risk management, human resources, and sustainable product development were analyzed. Caja Municipal de Ahorro y Crédito Cusco (“Caja Cusco” or the “Caja”) is an existing IDB Invest client whose performance is considered satisfactory.
- 2. Environmental and Social Categorization and Rationale.** This capital investment transaction is classified as IF-2, in accordance with the IDB Invest’s Environmental and Social Sustainability Policy. The potential environmental and social risks of the sub-projects included in the transaction are considered moderate. More specifically, the sub-loans are expected to involve activities with limited adverse environmental and social impacts or risks, relatively few, generally site specific, mostly reversible and addressable through mitigation measures.

Caja Cusco’s portfolio is composed of 64% Small and Medium Enterprises, 25% personal loans, and 11% de microenterprises. Caja Cusco adopts the definition for Micro, Small and Medium Enterprises from the Superintendency of Banking and Insurance (SBS), which is based on indebtedness limits over the last six months and excludes mortgage loans for housing. Under the SBS Resolution SBS N° 2368-2023,¹ the following are defined: (i) medium enterprise as those with annual sales equal to or greater than PEN 5 million and indebtedness greater than or equal to PEN300,000; (ii) small enterprise as those with indebtedness greater than PEN20,000 and less than PEN300,000 (is between US\$5,975 y US\$89,633); and (iii) microenterprise as those with indebtedness of less than PEN20,000 (equivalent to US\$5,975). This updated 2023 definition prevents small enterprises from being treated as medium enterprises solely based on their level of indebtedness.

At Caja Cusco, the average loan directed to microenterprises is US\$933 and to small and medium enterprises US\$3,721, both banking types or segments with an average duration of one to three years. The main sectors in the Caja's portfolio are commerce (36%), services (13%), agriculture and forestry (11%), transport and storage (10%), manufacturing (9%), accommodation activities (6%) and construction (4%).

Caja Cusco will not finance Category A sub-projects (high risk) as defined by IDB Invest, nor projects in the sectors stipulated on IDB Invest’s exclusion list.

¹ https://intranet2.sbs.gob.pe/dv_int_cn/2290/v2.0/Adjuntos/2368-2023.pdf.

The transaction is aligned with the Paris Agreement, in accordance with the analysis conducted under the IDB Group's Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks associated with this transaction are linked to Caja Cusco's capacity to adequately identify and manage the risks arising from its lending activities.

Among the potential risks are aspects such as land use change, deforestation, biodiversity loss, and contamination. The E&S impacts and risks associated with the sub-projects are estimated to have a low to moderate level, which will be managed by Caja Cusco in accordance with its E&S risk assessment and mitigation procedures and strengthened by the measures set out in Section 5 of this report.

- 4. Mitigation Measures.** Caja Cusco has an Environmental and Social Risk Management System Application Policy ("ESCRS") in credit granting, whose latest update was approved in February 2026. The ESCRS is based on the Environmental Credit Policy of the Peruvian Municipal Savings and Credit System ("CMAC"). The ESCRS complies with the applicable legal framework: Law 28611, General Environmental Law and its amendments, and SBS Resolution N° 1928-2015, Regulations for Environmental and Social Risk Management.

The ESCRS includes an environmental and social checklist that assesses environmental and social risk. The aspects verified for clients include the existence of fines from environmental authorities for regulatory non-compliance, community complaints, failure to meet regulatory requirements, and reputational damage to the company. The ESCRS includes an exclusion list aligned with IDB Invest's current exclusion list. Risks are managed through client accompaniment via continuous improvement mechanisms. The ESCRS establishes ongoing training for staff involved in risk management.

To better familiarize staff with IDB Invest's requirements, personnel responsible for supervising and implementing the ESCRS must take the free online course "ESCRS as a Business Opportunity"² and attend IDB Invest's ESCRS training workshop for financial intermediaries and microfinance institutions.

² ESCRS as a Business Opportunity: available throughout the entire year. <https://cursos.iadb.org/es/temas/sistema-gestion-ambiental-social-oportunidad-negocio>.

5. Environmental and Social Action Plan (“ESAP”):

Item	Task	Activity	Deliverable	Timeline
Standard 1: Assessment and Management of Environmental and Social Impacts				
Environmental, and Social Assessment and Management System				
1	Strengthening the ESCRS	<ol style="list-style-type: none"> 1. Caja Cusco will strengthen its ESCRS Application Policy by specifying the legal requirements for predominant portfolio sectors and agriculture. 2. Caja Cusco will share with IDB Invest the ESCRS improvement measure, ESCRS, as part of its continuous improvement. 	<ol style="list-style-type: none"> 1. Strengthened ESCRS 2. Annual Report 	<ol style="list-style-type: none"> 1. Twelve months after disbursement. 2. Annually, as part of the Environmental and Social Monitoring Report
2	Deforestation and natural habitat conversion risk management	<ol style="list-style-type: none"> 1. Develop a procedure for the identification and management of deforestation and natural habitat conversion risk in agriculture sub-projects, especially in the Amazon, through the use of freely accessible satellite imagery. 2. Annually report on its implementation. 	<ol style="list-style-type: none"> 1. Procedure for the identification and management of deforestation and natural habitat conversion risk as part of the ESCRS. 2. Annual compliance report. 	<ol style="list-style-type: none"> 1. Six months after disbursement. 2. As part of the annual environmental and social monitoring and compliance report.
Organizational Capacity and Competency				
3	Strengthen the risk management team, sustainability department, ESCRS, and commercial management	The sustainability team, ESCRS, credit process team, and commercial management will take the ESCRS as a business opportunity. ³	Course completion certificate.	Six months after disbursement.

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.

³ ESCRS as a Business Opportunity: available throughout the entire year. <https://cursos.iadb.org/es/temas/sistema-gestion-ambiental-social-oportunidad-negocio>.