Environmental and Social Review Summary ("ESRS")

COVAL: Senior Loan to support SMEs and Regional Expansion in Chile, Perú, and Colombia / 15936-01

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1. **Scope of Environmental and Social Review**. The Environmental and Social ("E&S") assessment of the proposed transaction consisted of a review of the relevant documentation, including policies, plans, and procedures, as well as the credit portfolio of Coval Servicios Financieros SpA ("Coval"), hereinafter referred to as the Financial Intermediary (the "FI"), and communications with representatives of the FI.

2. **Environmental and Social Categorization and Rationale**. The proposed transaction is classified as FI-3 in accordance with the IDB Invest Sustainability Policy. The financing will support the FI's short-term financing products, primarily factoring and leasing for Small and Medium Enterprises ("SMEs") in Chile, Peru, and Colombia. Given the nature of the financing products and the business activities financed, the sub-loans supported under the transaction are expected to finance activities with low E&S risk.

   Based on the annual sales criterion, the FI classifies SME as companies with annual sales of up to approximately US$8.3 million in Chile and up to approximately US$15 million in Peru and Colombia. The average SME sub-loan size for the consolidated portfolio of the three countries is approximately US$81,000, with tenors of less than one year. The sectors representing the largest share of the consolidated MSME portfolio are Construction (19%), Commerce (18%), Transportation and Storage (17%), Manufacturing (14%), and Real Estate Activities (7%).

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

3. **Environmental and Social Risks and Impacts**. The main E&S risks of this transaction are associated with FI´s capacity to identify and manage the risks associated with its financing activities. Given the nature of the financing products and the expected profile of the financed sub-loans, these risks are expected to be low and are primarily related to labor and working conditions, occupational health and safety, waste management and community health and safety. Overall, the E&S risk associated with the financed portfolio is considered low.

4. **Mitigation Measures**. The FI has an Environmental, Social and Governance ("ESG") Policy that establishes the principles and responsibilities for identifying, assessing, and managing environmental, social, and climate-related risks associated with its financing activities, as well as compliance with applicable national environmental and social requirements.

   The FI has human resources policies governing labor and working conditions, supported by Internal Work Rules, Hygiene and Safety Regulation, a Code of Ethics, and an internal grievance mechanism available to employees. These policies include principles related to equal opportunity, non-discrimination, occupational health and safety, and the prevention of workplace harassment and violence.

The FI shall ensure that all sub-loans within the asset class (SME portfolio) financed under this transaction comply with IDB Invest's Exclusion List and applicable local E&S laws and regulations. In addition, the FI shall designate a staff member responsible for overseeing E&S matters, who shall complete IDB Invest's online training[1] on E&S risk management.

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.

[1] ESMS: A Business Opportunity