

## Environmental and Social Review Summary (“ESRS”)

### Mexarrend — Partial Credit Guarantee (“PCG”) Facility for Social Bonds in Mexico / 13770-01 – México

**Original language of the document:** Spanish  
**Issuance date:** February 2022

- 1. Scope of Environmental and Social Review:** The Environmental and Social (“E&S”) assessment of the proposed transaction consisted in reviewing the documentation and holding conversations with the Sustainability Unit and the Finance Unit personnel in November and December 2021. The issuer is a new client for IDB Invest.
- 2. Environmental and Social Categorization and Rationale:** The proposed transaction is categorized as FI-2 in the terms of the IIC’s Environmental and Social Sustainability Policy. The subprojects under the Partial Credit Guarantee Facility are considered medium-risk, as they will be used to support machinery leasing transactions for the SMEs. The Issuer leases machinery and equipment for different sectors—printing, telecom, medicine, construction, and transportation, among others—in Mexico with an average tenor of three-years and an average loan of US\$380,000 . Therefore, the Issuer’s portfolio includes a limited number of business activities with potential adverse E&S impacts or risks, which are diverse, irreversible or unprecedented. A total of 99% of the Issuer’s portfolio is classified as low risk (as per the relevance and proportionality criteria of the Environmental and Social Management System (“ESMS”). The PCG facility will not include any Category A subloans, as per IDB Invest definition.
- 3. Environmental and Social Risks and Impacts:** The main E&S risks of this transaction are associated with the Issuer’s capacity to identify and manage the E&S risks of its leasing activities. The potential risks around its main lending activities include those related to waste generation and labor rights.

The Issuer has 150 employees. As per its 2020 Sustainability Report, a 360 degrees assessment of the Issuer was performed, which revealed an average satisfaction level of 80%.

- 4. Mitigation Measures:** The Issuer has a sustainability policy and an Exclusion List as part of its ESMS, which was prepared in 2019 with the help of an independent consultant and reviewed in November 2021. However, the ESMS could not be implemented as expected due to the COVID-19 pandemic. The ESMS sets forth a comprehensive management scheme to comply with the local legislation and the Performance Standards of the International Finance Corporation (“IFC”). The categorization and depth of the Environmental and Social Due Diligence is defined by two variables: (i) its E&S intrinsic risk (relevance); and (ii) the exposure level considering the average transaction term, type, and amount (proportionality). The Sustainability Unit is in charge of implementing the ESMS, the Unit works in coordination with the Risk and Human Resources areas and the Audit Committee, among others, and reports directly to the General Manager. The Sustainability Unit is also responsible for developing the sustainability report.

The Issuer has an externally-managed internal and external grievance mechanism in place; the grievances may be submitted anonymously over the phone, by email or through the website. The Issuer also has a Code of Ethics and Conduct, and a Human Capital Policy Manual. Additionally, it

has an Annual Training Program, including training on the ESMS implementation, waste management, gender sensitivity, etc.

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

ITEM	TASK	ACTIVITY	DELIVERABLE	COMPLETION DATE
1	Exclusion List	Include IDB Invest’s Exclusion List in the Issuer’s Environmental and Social Management System (“ESMS”).	Updated ESMS	Four months after the issuance
2	Assess the first three SME transactions	The Issuer will send the first three transactions categorized as of medium or medium-high relevance for IDB Invest’s review and feedback, in order to: (i) confirm their E&S categorizations; and (ii) assess the proposed action plan.	Pilot Project Implementation and Assessment Report	Upon each transaction

**6. Contact Information:** For questions on the projects, including E&S issues related to IDB Invest’s transactions, please contact the client (see **Investment Summary** tab) or IDB Invest by e-mail: [requestinformation@idbinvest.org](mailto: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](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1 (202) 623-3952.