

Environmental and Social Review Summary (“ESRS”) SURA Corporate Private Debt Fund / 13760-01 – Colombia

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- 1. Scope of Environmental and Social Review.** The proposed transaction's Environmental and Social ("E&S") analysis consisted of a review and evaluation of the Fund's E&S documentation and policies, procedures, and client portfolio; as well as discussions with officers and members of the SURA Fund's E&S team.
- 2. Environmental and Social Categorization and Rationale.** The subprojects to be supported have a medium risk potential, as the financing will support Small and Medium-Sized Enterprises ("SMEs") and Middle Market Enterprises ("MMEs") segments classified as Entrepreneurial and Large Companies,¹ whose subprojects have a moderate E&S risk. It was therefore categorized as IF-2 under the IIC's Environmental and Social Sustainability Policy. The SURA Fund will not finance category A (high risk) subprojects as defined by IDB Invest, nor those involving activities that are on the IDB Invest exclusion list.

For this transaction, the SURA Fund defines SMEs as those companies with monthly revenues below COP50 billion and MMEs with monthly revenues greater than COP50 billion million. The average loan for the SME portfolio is COP1.5 billion, for Entrepreneurial COP15 billion , and for Large Companies COP30 billion, with a duration of up to five years for SMEs; between three and five years for MMEs; and between four and seven years for Large Companies.

The SURA Fund invests in various sectors. Currently, the sectors with the largest representation in the portfolio are services, construction, commerce, and machinery; and other sectors of interest are telecommunications, energy, industrial, health, and transportation, among others.

- 3. Environmental and Social Risks and Impacts.** This Project's main E&S risks relate to SURA Investment Management's ("SURA") ability to identify and manage E&S risks related to its lending activities, mainly in the telecommunications, energy, industrial, transportation, and construction sectors. Potential risks related to its lending activities include worker health and safety, waste generation, impacts on biodiversity, handling of hazardous materials, and community health, safety, and security, among others. Considering that the underlying loans will focus on the SME and MME segment, these risks will be low to moderate.
- 4. Mitigation Measures.** SURA has developed a Sustainable Investment Policy that identifies and manages its portfolio's Environmental, Social, and Governance ("ESG") risks, integrating ESG issues into its investment process. The Policy includes a procedure to identify and analyze ESG controversies as part of the credit risk assessment, and the evaluation of ESG performance based on asset governance and socio-environmental criteria.

¹ The expected portfolio distribution for each of the segments is 30%, 40%, and 30%, respectively.

The ESG controversy analysis includes an evaluation of incidents, sanctions, or investigations arising from causes associated with failure to comply with the principles of the United Nations Global Compact² that have occurred in the last three years. The socio-environmental criteria considered in the evaluation of the asset's ESG performance are: sustainability policy; third-party certifications; disclosure of socio-environmental risks and their management plans; Greenhouse Gas ("GHG") emissions management, eco-efficiency and waste; protection of human rights; labor practices; and product safety and quality. SURA also has a list of ESG exclusions that establishes which sectors are excluded and which sectors or activities are considered sensitive.³

This process is carried out by the SURA's Fund Credit Team, with the support and supervision of the Sustainable Investments department. The result of the controversy and ESG performance analysis is included in the asset's credit risk assessment. Once this stage is completed, however, the SURA Fund has no procedure for: (i) identifying gaps regarding the International Finance Corporation ("IFC") Performance Standards; (ii) preparing an Action Plan and establishing contractual E&S requirements; or (iii) monitoring socio-environmental risks over the life of the loans.

SURA has an Ethics Hotline where external stakeholders and employees can submit complaints, queries, or reports through the following channels: telephone; WhatsApp; email, and through the EthicsGlobal platforms⁴ (online chat or App). Complaints, queries, or reports are treated confidentially and anonymity is guaranteed for those parties who request it.

For this Fund, SURA will develop an Environmental and Social Management System ("ESMS") with the support of a specialist consultant. The ESMS will define the following procedures: (i) project risk categorization; (ii) Environmental and Social Due Diligence ("ESDD"); (iii) implementation of the Action Plan; (iv) reports on performance and compliance with the Action Plan; (v) records and documentation; (vi) development and implementation of a grievance mechanism for projects with moderate risk. The scope of the ESMS will be in line with the requirements of Performance Standard 1 and based on the IFC Interpretation Note.⁵

Considering that the SURA Fund invests in various projects of varying size and economic sectors, the ESMS shall establish the procedures for the ESDD depending on the project's risk categorization, which should include aspects related to: (i) the type of company (SME; Entrepreneurial, and Large Companies); (ii) the term of the loan; (iii) the sector; and (iv) the E&S risks and impacts associated with the project. For projects categorized as low risk, the ESDD may focus on compliance with local law and the IDB Invest exclusion list; while for moderate-risk

² The United Nations Global Compact is a call for companies to incorporate 10 universal principles related to human rights, labor, environment, and anti-corruption into their strategies and operations; as well as to act in ways that advance social goals and the implementation of the Sustainable Development Goals ("SDGs").

³ The sensitive activities defined by the Sustainable Investment Policy are coal-fired power generation; the use of coal in the cement production process; and gambling. When a potential investment exceeds the exposure limit for this activity (10% of installed capacity or revenue, as appropriate), a more in-depth analysis of the company's practices should be conducted to identify mitigating or aggravating factors. These sectors are excluded from the SURA Fund.

⁴ EthicsGlobal is the company responsible for receiving and handling complaints.

⁵ [IFC - Interpretation Note on Financial Intermediaries.](#)

projects, the ESDD should include an analysis of IFC Performance Standards 1 through 8, as applicable.

The specialist consultant will conduct comprehensive training for the staff responsible for implementing the ESMS and support the team in the implementation of the ESMS and ESDD of the first three moderate-risk category investments of the SURA Fund.

SURA will also appoint an Environmental and Social Officer who will be responsible for overseeing the implementation of the ESMS and monitoring subsequent performance against established contractual requirements and Action Plans.

With the support of IDB Invest's Technical Advisory Services Team, SURA will develop procedures to include aspects related to climate change risks and opportunities in its Sustainable Investments and ESDD strategy, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”).⁶ This effort will be coordinated in parallel with the work of the consultant selected to develop the ESMS.

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

#	Activity	Description	Compliance Indicator	Term
1	Develop and begin implementation of a ESMS	With the support of a consultant specialized in the subject, develop and implement an ESMS for the FCP SURA Corporate Private Debt Fund in the loan portfolio. The ESMS should include (i) project risk categorization; (ii) ESDD; (iii) implementation of an Action Plan; (iv) reporting of performance and compliance with the Action Plan; (v) records and documentation; (vi) development and implementation of a grievance mechanism for moderate-risk projects. Operations with a total cost in excess of US\$10 million and 36 months must be evaluated against the IFC's Performance Standards. The consultant's scope and work plan should consider the parallel proposal to implement TCFD procedures in the Fund's operations.	1.1 Terms of Reference. 1.2 Consultant contract. 1.3 ESMS Manual.	1.1 At the time of the first disbursement. 1.2 Two months after the first disbursement. 1.3 Eight months after the first disbursement.
2	Capacity building and training	The specialist consultant should conduct comprehensive training for staff responsible for implementing the ESMS (including the credit and management department) and training for the commercial area on E&S risk management.	2.1 Training Certificates or Records.	2.1 Eight months after the first disbursement and each time new personnel responsible for ESMS implementation are brought on board.

⁶ These recommendations aim to improve investors' understanding of climate risk impacts on different corporations. The TCFD is based on four pillars: governance, strategy, risk management, and metrics and targets.

3	Appoint an E&S officer	The E&S officer will be responsible for implementing the ESMS and monitoring subsequent performance against established contractual requirements and any applicable Action Plans on the underlying loans.	3.1 E&S Officer's CV. 3.2 Updated organizational chart.	3.1 One month after the first disbursement. 3.2 One month after the first disbursement.
4	Review of the Fund's first three investments	<p>Together with the E&S team, the specialist consultant shall analyze the first three moderate risk category investments of the Fund (and/or those that apply the Performance Standards).</p> <p>SURA will provide detailed ESDD task reports of the respective transactions in order for IDB Invest to: (i) confirm the E&S category, and the level of analysis undertaken; and (ii) review the proposed Action Plans, if any.</p>	4.1 ESDD Reports and Action Plans.	4.1 When available.

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.