

Environmental and Social Review Summary (ESRS)

Mercader Financial, S.A., SOFOM, E.R. - Sustainable Mobility Bond in Mexico / 14986-01 - Mexico

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- 1. Scope of Environmental and Social Review:** The environmental and social (“E&S”) assessment of the proposed transaction involved the review of the relevant documents, such as policies and procedures related to the credit process and management of E&S risks of Mercader Financial, S.A., SOFOM, E.R. (“Mercader”), as well as the composition of its loan portfolio. Moreover, discussions were held with Mercader’s operations staff and management. Mercader is an existing client of IDB Invest’s with a proven record of satisfactory E&S performance.
- 2. Environmental and Social Categorization, and Rationale:** The proposed transaction has been classified as FI-2, according to IDB Invest’s Environmental and Social Sustainability Policy, as the E&S risks and impacts associated with the sub-projects are deemed moderate. Mercader is mainly focused on financing micro, small and medium-sized enterprises (“MSMEs”) in Mexico. The underlying loans granted with the newly issued sustainable bond will fund sub-loans labeled under green portfolio, including the eligible categories of sustainable transport, sustainable management of natural resources and use of the land, and renewable energy (photovoltaic). Also, funds will be used to fund social sub-projects, including the eligible categories like affordable basic infrastructure and MSMEs. Under MSMEs, the transaction will also include other specific sub-categories including women-led MSMEs , as well as those in vulnerable municipalities. All sub-projects will comply with IDB Invest’s eligibility criteria and those established in the sustainable bond framework. Mercader will not finance either category A (high risk) sub-projects as defined by IDB Invest or those involving activities included in IDB Invest’s Exclusion List.

Among other criteria, Mercader defines MSMEs as companies with annual sales of up to USD 12 million (approximately). The main sectors currently in its total portfolio are transportation (52%) and trade (37%).

The transaction is deemed as aligned with the provisions of the Paris Agreement based on the analysis conducted in accordance with IDB Group’s Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts:** The main E&S risks of the transaction are related to Mercader’s ability to identify and manage the risks associated with its financing activities, mainly in the green sub-projects. These E&S risks may be related to the workers’ health, safety and security, waste generation, changes in the use of the land, and the community’s health, safety and security, labor rights, among others. The E&S impacts and risks associated with the sub-projects are considered moderate.

4. Mitigation Measures: Mercader has implemented an environmental and social management system (“ESMS”) which has been applied across its loan portfolio since 2023. This system includes a Sustainability Policy, an exclusion list, a risk categorization process, and E&S risk assessment, management and monitoring procedures. Mercader’s ESMS includes the requirements from the local regulations and the guidelines from the IFC’s Performance Standard (PS) 1. Mercader has hired a team specialized in managing the E&S risks, who is in charge of leading the implementation of the ESRMS.

Mercader has Human Resources policies in place that are consistent with the non-discrimination and equal opportunity principles and include an employee grievance mechanism. Mercader currently employs 66 people, of whom 34 are women, roughly 52% of its workforce.

Mercader shall ensure that all sub-projects funded with the sustainable bond comply with the provisions in IDB Invest’s Exclusion List, the applicable local E&S regulations, the current ESMS , and the IFC’s Performance Standards (when applicable). Additionally, Mercader will implement an environmental and social action plan, as detailed in section 5 below.

5. Environmental and Social Action Plan (ESAP):

No.	Activity	Description	Compliance indicator	Delivery date
1	ESRMS update	Update the E&S risk identification form to incorporate other aspects related to changes in the use of the land in agroindustry and renewable energy sub-projects.	Updated form	9 months after the disbursement
2		Elaborate a form to monitor the E&S requirements during the supervision stage.	Approved form	9 months after the disbursement
3		Establish criteria to (i) hire specialized external consultants to perform the environmental and social due diligence (“ESDD”) in sub-projects with potentially complex E&S components (for example, biodiversity, social conflicts, etc.); and (ii) get an E&S officer to carry out project site visits in the sub-projects during the ESDD and the supervision stage.	Updated ESRMS manual	9 months after the disbursement
4		Establish the application of the IFC’s PSs on loans totaling ≥ USD 5 million and with a ≥36-month tenor.		
5		Implement all the above.	Evidence of implementation	As part of the ESCR ¹

¹ ESCR is the E&S Compliance Report which must be submitted to IDB Invest regularly.

6	Strengthening the labor risk assessment along the supply chain	Prepare and implement a procedure to assess labor risks along the solar panel supply chain in solar energy subprojects.	Approved procedure	6 months after the disbursement
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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. 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.