

## Environmental and Social Review Summary (ESRS) Growth Financing for Total Finco – COSTA RICA

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### 1. General Information of the Project

The present transaction (the “Transaction”) consists in a renewable, medium- and long-term facility for Total Leasing Finco, S.R.L. (the “Company” or “Total Finco”) to grant different types of finance leases<sup>1</sup> to eligible customers, most of whom are micro-, small- and medium-sized enterprises (MSMEs) located in Costa Rica.

Under the Transaction, Total Finco will be able to: (i) foster the impact of greater financing to MSMEs mostly led, managed or made up by women; (ii) focus its portfolio on energy efficiency and sustainability projects<sup>2</sup>, as well as drive digital transformation; and (iii) consolidate its local presence in Costa Rica so as to advance its growth plan in Central America.

### 2. Scope of the Environmental and Social Review of IDB Invest

The environmental and social assessment of the proposed Transaction consisted of a desk review of the Company’s environmental and social performance over time, focused on their compliance with the following Performance Standards (PS): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety and Security.

### 3. Environmental and Social Categorization and Rationale

In accordance with IDB Invest’s Environmental and Social Sustainability Policy, the Transaction was classified as a Category C transaction since the incremental impacts it will generate are practically nil as the Company is mainly an online business offering customized finance lease solutions to its customers.

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<sup>1</sup> The finance leases will be granted on: (i) personal vehicles, fleets, SUV and trucks or heavy work vehicles; (ii) medical equipment; (iii) electronic equipment or “e-leasing”, as well as equipment used to promote digital transformation; and (iv) productive work equipment and machinery in general.

<sup>2</sup> The use of vehicles or other renewable-source or alternate-fuel means of transport (electric or hybrid vehicles and biofuels, respectively) would be boosted thanks to “green mobility”.

## 4. Environmental and Social Risks

### 4.1 Assessment and management of environmental and social risks

Total Finco, organized in 2020, is a private independent company focused on the vehicle and productive equipment finance lease market in Costa Rica. It has a qualified management team with over 26 years' experience and a business strategy focused on the MSME sector and independent professionals with a history of being underserved by the traditional financial system.

In 2023, Finco developed its 2023-2028 Sustainability Strategy<sup>3</sup> ("SS") to generate positive impact on environmental, social and governance (ESG) issues in a way that is measurable, consistent and easy to communicate. The goals of the SS are: (i) cross-integrating it in the Company through short- and long-term work plans leading to meet its goals; (ii) formalizing through policies and procedures the Company's E&S area (diversity and inclusion); (iii) measure its ESG performance using indicators that allow for reporting the Company's sustainability actions; (iv) implementing actions related to communication with and engagement of the stakeholders (employees, impact groups and customers) to evidence Finco's progress, commitment and contribution in terms of sustainability; (v) drafting annual reports on the ESG progress jointly with its key performance indicators (KPIs); and (vi) implementing quality, waste management, safety and security, greenhouse gas (GHG) emissions, and energy efficiency management systems. As from the construction and validation of this SS, the Company designed four-year action plans for each main ESG issue.

To formalize its commitment with sustainability, the Company will continue to implement its SS<sup>4</sup>, focusing on the issues which could impact the generation and maintenance of economic, environmental and social value. This strategy includes: (i) an E&S policy establishing the commitment with E&S and occupational health and safety (OHS) regulatory compliance applicable in Costa Rica, reflecting the Company's philosophy as regards E&S risks and impacts management, and including ESG performance goals; and (ii) KPIs providing quantitative information on the achievement and progress of such strategy.

Total Finco has in place a Sustainability Committee organized by a project coordinator and four leaders in charge of managing and coordinating with the different Company areas, who will follow up on the implementation of the SS and report the ESG performance results to the Company.

The Company has in place an Emergency Plan<sup>5</sup> meeting the Costa Rican standards on emergency preparedness and response plan for labor or public use centers in Costa Rica and aiming at establishing the activities to be developed progressively, for the organization, risk valuation, action plan generation, performing monitoring activities and assessment of the operation, in emergency situations.

Total Finco will assess its E&S performance to define specific measures that will enable it to improve its E&S efficiency and effectiveness. It will also document and report on the progress of the new procedures adopted to improve its E&S performance.

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<sup>3</sup> The SS was developed and created jointly with EY (Ernst & Young Global Limited) during the first half of 2023 and its implementation started during the second half of 2023.

<sup>4</sup> An environmental sustainability strategy is a business strategy incorporating economic, environmental and social factors into an organization's policies, practices and processes in order to create long-term benefits for such organization and its employees considering natural resource conservation and protection.

<sup>5</sup> The Emergency Plan relates to the business center where the Company's offices are located.

The Company will prepare and implement a Stakeholders Communication and Engagement Plan to: (i) identify, know and be close to the stakeholders; (ii) listen to their interests and expectations directly from them; and (iii) disseminate the SS.

Total Finco, through its Human Resources Department, will maintain an open dialogue and promote fluid, permanent and transparent communication with its workers, external interlocutors and group of interest.. It will thus use open communication channels (most of them being two-way) including, among others: in-person and virtual meetings, participation in forums and the publication of press stories and news, as well as newsletters on its website, the intranet and social media posts.

Total Finco will develop and implement a grievance mechanism and a grievance management protocol to receive and resolve any information requests, grievances and reports from the different external stakeholders and the public in general. The Grievance Mechanism will include a direct, confidential hotline which will capture any information requests, reports and grievances without fear of retaliation and with the possibility submitting them anonymously through means such as its internal web portal, a dedicated email and a regular mailing address. The Grievance Management Protocol will allow knowing: (i) how the grievance or report was received; (ii) who placed it (customers, community, stakeholder); (iii) how it was classified, processed, evaluated, and investigated, and how long this took; (iv) how it was resolved and followed up on; (v) how the process was closed or concluded and how long this took; and (vi) as the case may be, how the Stakeholders Communication and Engagement Plan was adjusted or improved, in terms of communication and dissemination of information.

#### **4.2 Labor and working conditions**

The general working conditions and aspects (in terms of working schedules, salary, vacation, workers' compensation, labor systems, safe working conditions and social benefits, among others) are very well regulated in Costa Rica's labor and OHS legislation. In this sense, the Company has in place a code of ethics and conduct to guide its workers' behavior without any distinction or limitation, as well as that of its suppliers and customers so that they act consistently with the high personal and professional integrity standards. The Code explicitly mentions the Company's commitment to providing a safe, healthy workplace; provides guidelines for processes and decisions in order to guarantee equal opportunity, fair and decent treatment and non-discrimination of its workers; includes specific measures to prevent, resolve and penalize any kind of harassment, threat or abuse of power; promotes fair treatment upon recruiting, selecting and hiring personnel; promotes respect for human rights and the dignity of its workers; and establishes its commitment to its E&S environment requiring that all environmental protection and conservation standards be met as well as respect for the social environment in which they operate.

As a supplement to the Code of Ethics and Conduct, Total Finco has in place a human resources policy to lay down the conduct standards applicable to all its workers rendering services under any form of labor relation. This Policy is, in turn, formed by 21 policies, including: (i) Values Policy; (ii) Personnel Recruitment, Hiring and Understanding Policy; (iii) Incorporation and Insurance Policy; (iv) Mutual Respect Among Individuals Policy; (v) Resource Use and Protection Policy; (vi) Effective Use of Work Time Policies; (vii) Vacation and Holidays Policy; (viii) Maternity, Paternity and Special Leaves Policy; (ix) Disabilities Policy; (x) Training and Tuition Policy; (xi) Benefits Policy; and (xii) Disciplinary Measures.

The Code of Ethics and Conduct establishes commitments among Total Finco, its customers and service providers seeking to guarantee that the latter meet the Company's ethical principles and general rules of conduct. In this sense, all of the Company's customers and service providers are selected following a process with strict tax, anti-trust, professionalism and quality standards. However, the Company will update the selection process in order to include an assessment of their compliance with the labor and OHS, social responsibility and E&S standards, as well as with its ethical principles. To this end, it will incorporate into its Compliance Policy Manual and the Credit Policies and Standards provisions specifying that the customers and service providers to the Company should meet: (i) labor and OHS legislation effective in Costa Rica, especially the bar on child labor and forced labor, non-discrimination, gender equity and guaranteed safe working conditions; and (ii) applicable environmental legislation to minimize the environmental impact by preventing pollution and the rational use of natural end energy resources in their operations.

The Company will hold training sessions for MSMEs customers in order to provide them with knowledge (financial and environmental education) and tools that will help them improve their decision-making processes upon acquiring an asset under a finance lease. Regardless of the above, the Company's Management will continue inspecting strategic providers to verify their E&S and OHS performance and, if possible, guarantee the ongoing enhancement of the sustainable management commitment.

Total Finco has a direct, confidential hotline so that any worker may inquire about, report or submit a grievance on any failure to comply with the Code of Ethics and Conducts, an internal standard or procedure or any other applicable law or regulation. However, in order to strengthen the functionality of this channel, the Company will develop and implement a workers grievance and suggestions procedure to: (i) capture any direct or anonymous grievances filed by its workers; (ii) open an engagement space to motivate its personnel into a sense of belonging without fear of retaliation; (iii) detect improvement areas in the service and the relations with workers; (iv) avoid conflicts and solve the existing ones; and (v) depending on the case, provide access to other applicable legal or administrative resources as per labor or civil regulations.

### **4.3 Resource efficiency and pollution prevention**

Due to the characteristics of its business activity, Finco requires a limited use of resources and does not generate material pollution to the environment. In addition, based on the size of its only corporate office, and the number and use of its own vehicles, GHG emissions are expected to be less than 25,000 tons per year of CO<sub>2</sub> equivalent ("tCO<sub>2eq</sub>/year").

However, following its commitment to sustainability, the Company requires that all its workers adopt measures to save energy and other resources (mainly water and paper) during their working and non-working hours. In this sense, the Company will prepare an annual GHG emissions inventory for its operations quantifying its direct emissions from fuel consumption (Scope 1), indirect emissions from power consumption (Scope 2) and emissions generated by the leased vehicles, machinery and equipment (Scope 3, category 15) using the methodology developed by the Partnership for Carbon Accounting

Financials (PCAF)<sup>6</sup>. The changes in the results with respect to the base year (2024) will be reported on an annual basis, and the causes for such variation will be explained.

#### **4.4 Community health, safety and security**

Total Finco's activities will not generate any material risks to the community's health and safety.

#### **5. Proposed Management Measures**

Since the negative E&S impacts to be generated by the Transaction are not material, no specific management measures are proposed.

#### **6. Additional Information**

Finco offers additional information about its services and culture on its website: <https://total-leasing.cr/>

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<sup>6</sup> The Partnership for Carbon Accounting Financials is a global initiative founded and led by the financial sector to standardize the measurement and dissemination of GHG emissions related to investment and loans from financial institutions so that there is an alignment with the Paris Agreement under the Science Based Targets initiative (SBTi).