

Environmental and Social Review Summary (“ESRS”) ACCION – Digital Transformation Fund / 13436-01 – Regional

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- 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 Accion’s management, business, and E&S staff. The IDB Group has worked with Accion in the past, but the Fund is a new client for IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as an FI-3 per IDB Invest’s Environmental and Social Sustainability Policy. The microfinance institutions (MFIs) to which the Fund will provide investment capital have a low-risk potential, and are expected to engage mainly in service activities (digital transformation) that predominantly have no or minimal adverse E&S impacts. The investments that Accion would make with IDB Invest funds will be exclusively targeted to MFIs that provide MSME loans earmarked for digital transformation, including process automation, and business model transformation fostering financial inclusion.

Accion’s goal is to support the digital transformation of MFIs in emerging markets that seek to implement a digital transformation strategy to: (i) deliver a better customer experience; (ii) gain operational efficiency; and (iii) leverage technological innovation to offer products that suit customer needs. Both Category A (high risk) subprojects and those that undertake activities listed under IDB Invest’s Exclusion List will be excluded from IDB Invest financing.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this project are associated with Accion’s capacity to identify and manage the E&S risks associated with its MFI lending activities. The potential risks associated with its main lending activities include occupational health and safety.

Accion has a global presence with more than 140 employees in five continents and five corporate offices. Accion’s Latin American offices are in Bogota and has presence in Lima as well.

- 4. Mitigation Measures.** Accion is in the process of developing and implementing an Environmental and Social Management System (E&S Principles) that applies to all its portfolio companies. The E&S Principles lay down the E&S principles and standards under which the Fund operates and provide a list of E&S exclusions and conditions for its portfolio companies in the form of contractual clauses (e.g. having an E&S Management System, assigning and training a person in charge of E&S issues, establishing action plans in case corrective actions are needed, monitoring reports). In addition, Accion has an internal grievance mechanism, a Code of Ethics, a Policy Against Discrimination and Harassment, emergency response plans for some of its offices and a

crisis communication plan. Accion also provides technical advice¹ to help portfolio companies build a digitization roadmap.

Accion must ensure that all the supported MFIs comply with the IDB Invest Exclusion List and any applicable local E&S laws. For Accion to better understand IDB Invest’s requirements, the staff in charge of the E&S Management System implementation will be required to complete IDB Invest’s online Environmental and Social Risk Management training course.

5. E&S Action Plan (ESAP):

ITEM	TASK	ACTIVITY	DELIVERABLE	COMPLETION DATE
1	Enhancement of the Environmental and Social Management System – ESMS (“Environmental and Social Principles” document)	Enhancing the ESMS following the guidelines of the IFC Performance Standard 1, including the IDB Invest Exclusion List, and according to the risk level of Accion's portfolio.	Enhanced Environmental and Social Management System (ESMS)	10 months after first disbursement
2	Enhancement of skills and training	<p>Training the risk and business staff in the implementation of Accion’s Environmental and Social Management System.</p> <p>Ensuring that all new personnel responsible for implementing the Management System receive in-house training on the System.</p>	List of training attendees and materials shared	<p>10 months after first disbursement</p> <p>Once a year, each time new personnel are incorporated into any position involved in risk management. To be reported in the Annual Monitoring Report.</p>

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.

¹ Global Advisory Solutions (GLAS) <https://www.accion.org/glas-information-sheet-english>