

**ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY**  
**Fideicomiso Exponencial Confirming - SME Alternative Finance – 14718-01**

- 1. Scope of Environmental and Social Review.** The environmental and social review of the proposed transaction was carried out through desk research, client phone calls, and a portfolio review. Exponencial is a fintech company and a new client to IDB Invest. It is classified as a financial intermediary (FI).
- 2. Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-3 per IDB Invest's Sustainability Policy. Transactions under the credit line will provide reverse factoring solutions to MSME companies in partnership with pre-selected anchor companies. Through this transaction IDB Invest is able to grant access to immediate liquidity from sales and thus improve the payment terms provided to SME suppliers. Invoice discounts for MSMEs have had an average value of US\$4,000 per invoice during 2023, with an average term of 45 to 90 days. Of those segments it finances, 55% are considered small and micro and 76% are in the manufacturing sector. Category A sub-projects, per IDB Invest's definition, are excluded and not considered in the context of this asset class. The project is considered Paris Agreement aligned based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.
- 3. Environmental and Social (E&S) Risks and Impacts.** The main E&S risks of this transaction are associated with the Exponencial's capacity to identify and screen for E&S risks at the level of the supplier. Through this program anchor company partners are required to screen for basic compliance under local law. In its capacity as a clearing house, Exponencial provides an on-boarding / Know Your Client analysis to further analyze and confirm basics environmental and social compliance. The Environmental Social Health and Safety (ESHS) impacts and risks associated with transactions to suppliers are minor in nature. Exponencial is undergoing a process to become certified as a 'B' Company and has established a road map to improve its performance in governance, employment, environmental and transparency matters among others.
- 4. Mitigation Measures.** Exponencial currently does not have an Environmental and Social Management System (ESMS). Through this operation, Exponencial will be required to develop a basic set of procedures in the form of a manual to screen at both the level of the anchor company and the suppliers to ensure compliance with the requirements of local law and the IDB Invest Exclusion List. Additionally, the responsible individual assigned to review E&S matters will be required to take IDB Invest's online e-learning course on E&S management.
- 5. Environmental and Social Action Plan:** N/A
- 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](mailto: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](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.