

Environmental and Social Review Summary (“ESRS”)
Social Bond of Diversity and Inclusion – *Cooperativa Jardín Azuayo*
Project 13943-01 - Ecuador

Original language of the document: Spanish
Issuance date: August 2022

1. Scope of Environmental and Social Review

The proposed project seeks to support *Cooperativa de Ahorro y Crédito Jardín Azuayo Ltda.* (“CJA”), in its financing operations to micro, small and medium-sized enterprises (“MSMEs”) in Ecuador. IDB Invest reviewed details of CJA’s approach to Environmental and Social (“E&S”) management, its portfolio of borrowers, and had a due diligence call with the client. CJA’s E&S management and related policies and procedures are consistent with the IDB Invest’s Sustainability Policy requirements. CJA is a recurrent client of IDB Invest.

2. Environmental and Social Categorization and Rationale

This operation is classified as a Category FI-3 given that the small and microfinance sub-borrowers in CJA’s current and future portfolio are considered as having low risk. The average loan size to each sub-borrower under this bond would be US\$7,000, with an average tenor of four years for micro enterprises and US\$40,000, with an average tenor of five years for small and medium-sized enterprises. Targeted sectors are agriculture, livestock breeding, fisheries, tourism, transport, manufacturing, commerce and services.

3. Environmental and Social Risks and Impacts

The main E&S risks of this project are associated with CJA’s capacity to identify and manage the E&S risks associated with its lending activities. CJA’s capacity in this respect is satisfactory and no action plan is required to enhance E&S management. Lending to the target sectors of agriculture, transport and manufacturing are focused on energy efficiency, green automotive fleets, or bicycles. The Environmental Social Health and Safety (“ESHS”) impacts and risks associated with loans to its portfolio borrowers are likely to be minimal in nature. A review of CJA’s human resources policies demonstrates compliance with Performance Standard 2 of the International Finance Corporation.

4. Mitigation Measures

CJA is in the process of implementing an Environmental and Social Management System (“ESMS”) in the micro enterprises portfolio with plans to have it in place by 2023. In the development of their ESMS, they have established a list of excluded activities, an assessment tool to identify gaps/recommendations, and carried out a pilot of their tool. CJA also measures its carbon footprint and is in the process of setting reduction targets for its Scope 1, 2, and 3 emissions. Under IDB Invest’s loan to CJA, the borrower is expected to comply with local legislation, IDB

Invest's List of Excluded Activities, apply its ESMS, and take the IDB Invest on-line training course for low-risk Financial Institutions. No action plan is required.

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 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 MIICI@iadb.org, or calling +1(202) 623-3952.