

## Environmental and Social Review Summary (“ESRS”) Gender and Inclusion Financing with Caja Arequipa / 14728-01 – Peru

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) assessment of the proposed transaction consisted in a review of Caja Municipal de Ahorro y Crédito de Arequipa S.A. (“Caja Arequipa” or the “Caja”) documentation on E&S risk management, as well as its project portfolio. Finally, a virtual meeting took place with the people in charge of the E&S aspects of Caja. Caja Arequipa has been an IDB Invest client since 2020 with a satisfactory E&S performance.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-3 under the IIC Sustainability Policy. The potential E&S risk of the subprojects to be supported aimed at Micro, Small and Medium-Sized Enterprises (“MSMEs”) is low.

The average loans in the portfolio amount to USD 2,738. The loan aimed at micro-sized enterprises stands at US\$1,563 and for small-sized enterprises at US\$11,836 with tenors of one to three years in both cases. Most of Caja’s portfolio is made up of Micro- and Small-Sized Enterprises (“MSEs”) and personal loans for 69% and 23% of the portfolio, respectively. Within the MSE segment, the most important sector is services (52%) followed by retail (36%) and manufacturing (5%).

Caja Arequipa will not fund any Category A (high-risk) subprojects as defined by IDB Invest or any other involving activities within IDB Invest’s exclusion list.

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

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this transaction are associated with Caja Arequipa’s capacity to identify and manage the E&S risks of its lending activities. The potential risks associated with the main lending activities of Caja Arequipa (loans for trade and services) include pollution prevention and mitigation.

Caja Arequipa has in place an Environmental and Social Risks Management System (“ESMS”) Manual which was last revised in June 2023 and in which an update of the policy was included. The Manual includes IDB Invest’s old exclusion list and forms to check for compliance with local regulations. The Risk Management area oversees implementing the ESMS in close collaboration with the Sustainability Department, created in Q2 2023.

Caja Arequipa has implemented procedures to protect labor rights, as well as guarantee good labor coexistence, such as a Code of Ethics, internal working rules, and internal health and safety rules, among others.

- 4. Mitigation Measures.** Caja Arequipa will need to ensure that all the backed-up loans meet the provisions in IDB Invest’s current Exclusion List, and applicable local E&S regulations, as well as secure the implementation of its ESMS. For Caja Arequipa to understand IDB Invest’s requirements, it shall attend IDB Invest’s online training course on E&S risk management.

5. **Environmental and Social Action Plan (“ESAP”).** 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.