

Environmental and Social Review Summary (“ESRS”)

Titularizadora Colombiana – Social Mortgage-Backed Security in Colombia / 14563-01

Original language of the document: English
Issuance date: January 2025

- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed operation was conducted through a review of Titularizadora Colombiana's documentation on E&S risk management and human resources policies. Finally, virtual meetings were conducted with those responsible for organizational development, risk, quality, and sustainability. Titularizadora Colombiana is a new client for IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed operation is classified as FI-3 under IIC's Sustainability Policy. IDB Invest funds will enable the securitization of mortgage portfolios, specifically loans in the social housing segment, including priority interest housing (VIP) and social interest housing (VIS), which have a low potential for environmental and social risk.

The average mortgage loan in the portfolio to be securitized amounts to approximately US\$20,000, with a term ranging from 5 to 18 years. The pool of mortgage loans includes loans extended to low-income borrowers acquiring their first home.

The borrowers of social or priority interest housing can be eligible for down payment and interest rate subsidies under the government program called "Mi Casa Ya," operated by the Ministry of Housing, City, and Territory. The program aims to promote homeownership among low-income populations in Colombia.

Titularizadora Colombiana will not be allowed to use IDB Invest funds to securitize Category A projects (high risk) as defined by IDB Invest, nor those involving activities included in IDB Invest's exclusion list.

The transaction is considered universally aligned with the Paris Agreement based on the analysis conducted following the IDB Group's Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main environmental and social risks of this transaction are related to Titularizadora Colombiana's ability to identify and manage the E&S risks associated with its securitization activities.

Since 2014, Titularizadora Colombiana has issued a Sustainability Report following the standard of the Global Reporting Initiative (“GRI”), implemented a grievance mechanism, and became a signatory of the Principles for Responsible Investment (“PRI”) in December 2023. The company has a sustainability strategy that includes policies, materiality topics, a corporate governance framework, an exclusion list, a risk matrix, and other elements aligned with the requirements of this transaction.

- 4. Mitigation Measures.** Titularizadora Colombiana must ensure that all backed loans comply with the requirements outlined in IDB Invest's Exclusion List, as well as with local applicable environmental and social laws. To this end, it must strengthen its Sustainability Manual and its Sustainability Risk Matrix. In order for Titularizadora Colombiana to comply with IDB Invest's requirements, the team involved in this transaction must complete IDB Invest's online training course on Environmental and Social Risk Management.¹

¹ <https://cursos.iadb.org/es/indes/sistema-de-gesti-n-ambiental-y-social-una-oportunidad-de-negocio>

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. 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.