

## Environmental and Social Review Summary (“ESRS”)

### Total Servicios Financieros: Senior Loan to Support MSMEs in Peru / 14623-01

Original language of the document: Spanish  
Issuance date: August 2025

- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction consisted of an analysis of the relevant processes, policies, and procedures of Total Servicios Financieros Empresa de Créditos S.A. (“Total Servicios Financieros”), as well as its loan portfolio to Micro, Small, and Medium-Sized Enterprises (“MSMEs”). In addition, discussions were held with officers and members of Total Servicios’ management team.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2, in accordance with IIC’s Environmental and Social Sustainability Policy, given that the financing will be directed toward sub-projects within the MSME segment that present low to moderate E&S risk levels. Total Servicios will not finance Category A (high-risk) sub-projects as defined by IDB Invest, nor those involving activities listed in IDB Invest’s exclusion list.

Total Servicios classifies MSMEs as companies with annual sales of up to approximately US\$5.4 million. Its credit portfolio consists of three financial products: leasing, factoring, and direct credit. Within the MSME portfolio, factoring operations generally have terms ranging from 30 to 60 days and an average amount of approximately US\$8,000, while leasing and direct credit have terms between three and five years with an average amount of approximately US\$59,000. In the overall portfolio, the five sectors with the highest share are: Transportation and Storage (56%), Commerce (14%), Administrative Services (9%), Construction (8%), and Mining (4%).

The transaction is considered aligned with the Paris Agreement, based on an analysis conducted by IDB Invest in accordance with the IDB Group’s Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of the transaction are related to Total Servicios Financieros’ capacity to identify and manage the risks associated with its financing activities within the MSME portfolio, particularly in sub-projects in the construction and mining sectors. These E&S risks may be associated with worker health and safety, wastewater and solid waste generation, emission of polluting gases, land use change, community health and safety, labor rights, climate change, among others. The E&S impacts and risks associated with the sub-projects are considered to be a moderate level.
- 4. Mitigation Measures.** Total Servicios Financieros has an Environmental and Social Management System (“ESMS”) that establishes procedures for E&S risk categorization, guidelines for conducting due diligence, and the design of action plans. ESMS also includes mechanisms and forms to verify compliance with applicable E&S legislation, the application of an exclusion list, and a monitoring process to ensure compliance with E&S requirements in operations. ESMS is integrated into the credit process and is applied based on criteria defined according to the risk level of the sector or activity and the amount financed.

Total Servicios Financieros has a Risk Management Department, which is primarily responsible for overseeing the implementation of ESMS and proposing necessary updates for its continuous improvement. Additionally, Total Servicios Financieros has a Code of Conduct that incorporates principles of equal opportunity and non-discrimination, as well as a mechanism and protocol for handling staff complaints.

Total Servicios Financieros must ensure that all sub-loans within the asset class financed by IDB Invest comply with IDB Invest's exclusion list and applicable local E&S laws. Furthermore, staff responsible for E&S risk management must complete an online training course<sup>1</sup> provided by IDB Invest 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.

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<sup>1</sup> Online Course "Environmental and Social Management System: "SARAS en Acción" ([access here](#)).