

Environmental and Social Review Summary (“ESRS”)

Caja Central Financoop – Alliance with Caja Central Financoop to Promote Financial Inclusion in Ecuador / 15010-01 – Ecuador

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction was conducted through desk research, phone calls with Caja Central Financoop (“Financoop”) representatives, and an analysis of the credit portfolio. Financoop is a cooperative entity that integrates the popular and solidarity financial sector and is dedicated to performing second-tier financial operations, duly authorized by the Superintendency of Popular and Solidarity Economy, exclusively with savings and credit cooperatives and mutual savings and credit organizations for housing. As of August 2024, it is comprised of 143 associated entities. Financoop is a new client of IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-3 in accordance with IIC’s Sustainability Policy, given that the E&S risks and impacts associated with the subprojects to be financed are low. Through the issuance of this social bond, IDB Invest will support the growth of the productive portfolio that Financoop, through its associates, directs specifically towards microenterprises, microenterprises in rural areas, those owned by and/or led by women, individuals with low incomes, and/or individuals with low levels of education. The average microcredit amount granted by the savings and credit cooperatives associated with Financoop is approximately US\$7,800.00, with an average term of 18 months. The five most representative sectors in the portfolio of Financoop’s associated entities are: commerce (26.8%), transportation and storage (12.5%), agriculture (10.7%), other service activities (6.7%) and manufacturing (6.3%). Financoop will not finance either Category A (high risk) subprojects, as defined by IDB Invest, or those involving activities included in IDB Invest’s Exclusion List.

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

- 3. Environmental and Social Risks and Impacts.** The main E&S risk of this transaction is associated with Financoop’s capacity to identify and manage the E&S risks in relation with its lending activities, where risks are mainly associated to labor rights and working conditions, waste generation, land use change, among others. The E&S risks associated with the subprojects are considered low in nature.
- 4. Mitigation Measures.** Financoop is currently in the process of implementing an Environmental and Social Management System (“ESMS”) across its entire credit portfolio. This ESMS incorporates key elements such as an exclusion list, an E&S risk categorization process, E&S risk assessment procedures, and strategies for managing and mitigating these risks. The ESMS is designed to align with both IFC’s Performance Standards and the European Development Finance Institutions (“EDFI”) Standards. Additionally, Financoop has incorporated a climate risk assessment tool focused on the agricultural sector and an E&S Grievance Mechanism as integral components of its ESMS. Financoop also has an Ethics and Conduct Code that establishes fundamental principles related to integrity, transparency, accountability, and respect for human rights.

Financoop will ensure that all sub-loans and loans granted by its associates, funded through the Social Bond, comply with IDB Invest’s Exclusion List, the eligibility criteria of the bond framework, applicable local regulations and its ESMS. The personnel responsible for supervising and implementing the ESMS shall complete 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. 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.