

## Environmental and Social Review Summary (ESRS)

<b>Project Name:</b>	Marco: Unlocking economic growth through trade financing
<b>Project Number</b>	RG-Q0123
<b>Project Location:</b>	Regional
<b>Executing Agency:</b>	Marco Capital, Inc.
<b>Type of Operation:</b>	Equity Investment
<b>ESRS Issuance Date:</b>	September, 2023

### 1. General Information of the Project and Scope of IDB Lab’s E&S Review

Marco Capital, Inc. (“Marco” or the “Company”) is a tech-enabled platform that provides access to financing for Latin American Micro, Small and Medium Enterprises (“MSME”). It offers services such as trade finance, factoring, financing, secured finance, international trade, asset-based lending, purchase order financing and credit supplier financing.

The transaction consists of an equity investment in Marco to finance the expansion of its trade finance portfolio. The environmental and social (“E&S”) review of the proposed transaction consisted of a desk review of documentation provided by the Company as well as interviews with the Senior Management of Marco.

### 2. Environmental and Social Categorization and Rationale

The proposed operation has been categorized as FI-2 given that activities financed by Marco are expected to have limited potential adverse environmental and social risks (E&S) and impacts that are few in number and easily addressed through mitigation measures.

The Company shall not discount receivables from business activities included in IDB Exclusion List or that carry significant risks or impacts on the environment, community health and safety, biodiversity, cultural heritage, or Indigenous Peoples.

### 3. Environmental and Social Risks and Impacts

The main E&S risks of this transaction are associated with the Company’s capacity to identify and manage the E&S risks associated with providing financing solutions to MSME exporters of goods and services, which vary by industry sector and location.

Marco's discounted receivables stem from a diverse range of activities including waste collection, wholesaling of goods like grains, electronics, and fruits, mental health services, retail bakeries, apparel manufacturing, landscaping, healthcare, and more, reflecting a broad business spectrum.

#### 4. Mitigation Measures

As part of this transaction, Marco will develop an Environmental and Social Management System (“ESMS”) comprising the following components:

- a) Policy: Marco has developed a policy outlining the Company’s commitment to monitoring and improving its current ESG practices. This policy needs to be updated to i) indicate that the Company will not finance, directly or indirectly, any of the activities found on IDB’s Exclusion List; and to ii) specify that all of its clients shall comply with all applicable E&S laws and regulations of their respective host countries. The updated ESG policy shall be externally communicated by presenting it Marco’s statements and reports and verbally communicating it to various stakeholders.
- b) Investment Screening. The Company shall develop an ESMS procedure to screen proposed trade transactions against the IDB Exclusion List and national E&S laws and regulations where they exist and are applicable. Transactions shall be assigned a category according to low, medium, or high E&S risk. This procedure shall be integrated into Marco’s operating procedures.
- c) Internal Organizational Capacity and Competency. ESG matters are currently overseen by the Company’s Chief Operating Officer. As the portfolio volume of Marco increases, the Company shall assess the need of designating and communicating E&S responsibilities to relevant personnel to conduct the E&S investment screening.
- d) Environmental and Social Covenants. Marco will incorporate into its ESMS the minimum E&S requirements that shall be included as clauses in the legal agreement with its clients.
- e) Monitoring and Review. The Company shall establish monitoring procedures to periodically review of the effectiveness of its ESMS in managing the E&S risks and determining the need to update its ESMS depending on the current E&S risk profile of its portfolio.
- f) External Grievance Mechanism. Marco shall develop and implement a grievance mechanism where external social parties can submit their questions and complains confidentially, and anonymously (if required) without fear of retaliation.

#### 5. Environmental and Social Action Plan (ESAP)

No	Issue	Activity	Deliverable	Deadline
1	Environmental and Social Management System (ESMS)	Develop an ESMS aligned to IDB Performance Standard 1 and the elements described in this ESRS.	ESMS	9 months from closing date