

1. Scope of Environmental and Social Review The environmental and social analysis of the proposed transaction consisted of reviewing the Client's documentation and website, in addition to a telephone call with its management. Konfio has previous working experience with multilateral banks and is familiar with lender E&S requirements.

2. Environmental and Social Categorization and Rationale

The proposed financing facility for SMEs is classified as an FI-3 operation (low risk) under IDB Invest's Sustainability Policy. Konfio's current and future portfolio of operations consist of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

Konfio's mission is to drive the growth of small businesses in emerging markets. Microcredit sub-loans are for up to US\$8,000 with a 12-month term. Sub-loans for SMEs amount up to US\$14,000 with a term of approximately 18 months. All its sub-loans are located in Mexico; they are distributed throughout the country, although the central region has the largest share (38%).

The four main sectors in its portfolio are: Trade (34%), Construction (12%), Professional Services (11%), and Manufacturing Industries (10%). Less than 1.4% of the portfolio is allocated to agriculture and forestry. Most loans are originated on a virtual platform and are without collateral. Category A sub-loans, per IDB Invest's definition, will not feature under Konfio's on-lending program.

3. Environmental and Social Risks and Impacts

Konfio has 415 employees, 120 of whom are women (29%). Of the 14 management positions, 5 are held by women. Konfio has a Human Resources policy, an exclusion list, and a Code of Ethics that includes a dedicated email to register grievances with the Conduct Committee, which is responsible for registering, classifying and following up on grievances.

The environmental and social risks of this transaction have to do with Konfio's capacity to assess and manage the risks associated with its loans. Considering the limited environmental and social risks, Konfio has in place the basic environmental and social procedures consistent with the requirements of IDB Invest's Sustainability Policy.

4. Mitigation Measures

Konfio will be required to ensure that all sub-loans comply with IDB Invest requirements, namely, the Exclusions List and applicable local and national legislation. For Konfio's staff to better understand IDB Invest's requirements, those responsible for E&S compliance will take the IDB Invest online course^[1] for financial intermediaries. The free online course "Environmental and Social Management Systems" will help Konfio's staff incorporating environmental and social practices into the company's risk management.

5. Environmental and Social Action Plan:

Not applicable.

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