

1. **Scope of Environmental and Social Review.** The environmental and social review of the proposed transaction was carried out through desk review and a phone call with SOFIHDES's General Manager and Marketing Director.
2. **Environmental and Social Categorization and Rationale.** The sub-projects to be supported have a low risk potential, that are small and medium enterprises (SMEs) focused mainly on commerce and services. Therefore, per the IIC Environmental and Social Sustainability Policy, the FI has been categorized as FI-3. SOFIHDES defines small enterprises those with 1 to 10 employees and medium from 10 to 100 employees and with assets between US\$ 50,000 and US\$ 1.2 million. The average loan size from SMEs is US\$ 200,000 with a tenor between 2 and 7 years. The main sectors include retail, construction, agribusiness, local industries, transportation, education and services.
3. **Environmental and Social Risks and Impacts.** The main E&S risks of this projects are associated with FI's capacity to identify and manage the E&S risks associated with its lending activities. The potential risks associated with its main lending activities include the provision of adequate labor and working conditions [i.e. retail, food and beverages, etc.]. SOFIHDES does have an exclusion list (from USAID and OPIC), however, the FI is in the process of creating environmental and social procedures to access funds from the Green Climate Fund. These basic procedures will bring the Fund in compliance with IDB Invest's Sustainability Policy. In addition, the credit department has had a two-day training on environmental and social risks from the European Bank for Reconstruction and Development. In 2019, SOFIHDES' general manager participated in IDB-Invest Sustainability Week Financial Institutions training in Panama.
4. **Mitigation Measures.** SOFIHDES will be required to ensure that all loans supported comply with IDB Invest's Exclusion List, applicable E&S local laws, and assigned an employee to oversee environmental and social compliance. To enable the Borrower to better understand IDB Invest requirements, SOFIHDES will be required to take the IDB Invest online training course on Environmental and Social Risk Management^[1].
5. **Environmental and Social Action Plan.** Not required.
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 requestinformation@idbinvest.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.

^[1]
<https://cursos.iadb.org/en/indes/environmental-and-social-management-system-business-opportunity>
(The ESMS: a business opportunity).