

## **1. Scope of Environmental and Social Review**

The environmental and social review of the proposed transaction was carried out through desk research and a pipeline discussion. Creditas is a new client to IDB Invest and does not yet have in place an environmental and social management system to identify and manage the E&S risks of its portfolio.

## **2. Environmental and Social Categorization and Rationale**

The sub-loans to be supported by Creditas have a low risk potential as it will be for MSMEs and MSME owners or individual entrepreneurs, primarily (50%) in the retail and services sectors. Creditas uses either home equity or autos as collateral for the loans.

Sub-loans average between: (i) Home equity of R\$185,000, with an average tenor of 170 months; and (ii) Auto equity of RS\$17,000 with an average tenor of 36 months and are primarily for debt repayments, working capital or small investment needs. Category A sub-projects, per IDB Invest's definition, are not part of this lending segment.

Therefore, per the IIC Environmental and Social Sustainability Policy, the FI has been categorized as FI-3.

## **3. Environmental and Social Risks and Impacts**

The main E&S risks of this project are associated with the Creditas's capacity to identify and manage the E&S risks associated with its lending activities. The Vice President (VP) of Credit Risk will be expected to apply best practices in identifying, mitigating, and managing any issues found in investments. The Environmental, Social, Health and Safety (ESHS) impacts and risks associated with investments are considered to be low in nature.

## **4. Mitigation Measures**

Creditas will develop an Environmental and Social (E&S) Policy that will include application of IDB Invest's Exclusion list and application of local law.

In addition, Creditas has developed: (i) an Anti-Money Laundering & Combating the Financing of Terrorism Policy that incorporates standards for the prevention and detection of atypical activities or suspicions of money laundering or concealment of assets, rights and values by clients, crew members or, also, through the operations of the payment system; (ii) a Human Resources Policies and Procedures including an internal Grievance Mechanism and a Conduct and Ethics Manual, among others; and (iii) a Financial Education program both for individual customers and companies, as well as to Creditas employees.

The VP Credit Risk will be required to ensure that all investments comply with IDB Invest's Exclusion List, and applicable E&S local laws. Creditas will be required to attend IDB Invest's online training course on Environmental and Social Risk Management.

## **5. Environmental and Social Action Plan N/A**