

1. **General information on the scope of the IDB Invest Environmental and Social Review.** The environmental and social evaluation of the transaction was based on documentation work, telephone calls with the client, and a portfolio evaluation. Huancayo represents a new equity investment client for the IDB, with a focus on microfinance. The credit risks are considered low as generally happens with transactions of this kind. The client has agreed to create and implement a basic Environmental and Social Management System (hereinafter ESMS).
2. **Environmental and social classification and rationale.** In accordance with the IIC Sustainability Policy, the proposed operation has been classified as FI-3. The average for subloans in the microfinance segment is between US\$ 2,000 and US\$ 5,000, which amounts to about 80% of Caja Huancayo's portfolio. Category A subprojects are excluded, based on IDB Invest's determination.
3. **Environmental and social risks and impacts.** It is believed that the environmental and social risks will be minimal. Considering the target sectors, agriculture has potential with limited risks thanks to the small size of the loan. The main risks and impacts will be related to labor matters, the use of pesticides, and possible issues with land management.
4. **Mitigation measures.** Huancayo will be required to evaluate, administer, and monitor environmental and social risks through an ESMS, which will include applying the list of exclusions and local legislation. The ESMS should have a general policy, a basic classification guide, a checklist for the due diligence process (when necessary), legal clauses, and monitoring procedures. Caja Huancayo will also need to appoint a manager of environmental and social issues to supervise the creation and implementation of the ESMS, as well as the selection of individual subloans when necessary. It should be noted that Caja Huancayo has already participated in the annual IDB Invest Sustainability Week.
5. **Environmental and social action plan:**

Task	Description	Deadline
Creation of the ESMS	Caja Huancayo will create and implement an environmental policy and a basic selection procedure to ensure compliance with local legislation and the list of exclusions in credit activities. Caja Huancayo will submit its environmental policy to IDB Invest for review. The ESMS will be created with the support of a consultant and will consider potential major risks in loans to an MSME segment.	Starts six months after the first disbursement.
Appointment of manager responsible for environmental and social matters	Caja Huancayo will appoint a manager responsible for environmental and social matters to supervise the creation of the policy and the basic procedures, and all relevant teams will participate in the application of the ESMS procedures, particularly the credit risk team.	One month after the first disbursement.

6. **Contact information.** For queries on projects or environmental and social issues related to an IDB Invest transaction, please contact the client (see Summary of the Investment), or IDB Invest via e-mail at [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, communities affected by a project can access the IDB Invest Independent Consultation and Investigation Mechanism, via e-mail to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or by calling +1 (202) 623-3952.