

1. **Scope of Environmental and Social Review.** The environmental and social review of the proposed transaction was carried out through desk research, client phone calls, and a portfolio review. eFactor is a fintech company and an existing IDB Invest partner through which our supply chain finance facility is executed. It is classified as a financial intermediary (FI).
2. **Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 per IDB Invest's Sustainability Policy. Transactions under the credit line will provide supply chain financing solutions to anchor company suppliers across diverse sectors. Through this transaction IDB Invest is able to improve the payment terms provided to SME suppliers. Transactions facilitated will range between roughly US\$15,000 to US\$160,000. Category A sub-projects, per IDB Invest's definition, will be excluded.
3. **Environmental and Social (E&S) Risks and Impacts.** The main E&S risks of this transaction are associated with the eFactor's capacity to identify and screen for E&S risks at the level of the supplier. Through this program anchor company partners are required to have in place a Supply Chain Policy and basic mechanics to evaluate and screen for risks, which pertain to local law and the IDB Invest exclusion list. In its capacity as a clearing house, eFactor provides an on-boarding / Know Your Client analysis to further analyze and confirm basics environmental and social compliance. The Environmental Social Health and Safety (ESHS) impacts and risks associated with transactions to SM suppliers are likely to be moderate in nature.
4. **Mitigation Measures.** eFactor currently applies a basic two part questionnaire to screen suppliers for potential E&S risks, but does not have an Environmental and Social Management System (ESMS). Through this operation, Non-Financial Products in conjunction with SEG will provide Technical Cooperation resources to enhance eFactor's capacity and screening of suppliers during the onboarding. The Technical Cooperation will have three main areas of focus and improvement, (i) Digitalization of the Know Your Customer ("KYC") forms, (ii) Data accessibility in real time (creating and impact dash-board with disaggregated data of all supplier onboarded), (iii) Integration of the Environmental and Social questionnaire, which will ensure that all transaction supported under the loan comply with IDB Invest's Exclusion List, applicable E&S local laws, and the Environmental and Social Management System (ESMS).
5. **Environmental and Social Action Plan**

Activity	Description	Timeline
Environmental and Social Policy and Operations Manual	With the support of a consultant, eFactor will formalize its existing procedures with the creation of (i) a basic Environmental and Social Policy, and (ii) an Operations Manual that sets out the procedures for screening eligible suppliers under the program. The Manual will detail roles and responsibilities, classification methodology, action plan details for suppliers, and contractual clauses.	3 months post disbursement
Creation of Environmental and Social Team	(i) Prior to the creation of the Manual, eFactor will establish an Environmental and Social Team with the responsibility to advise on the development of the Manual and address points of concern as they arise. The Team will assist in the selection and oversight of the Consultant selected to develop the manual; (ii) eFactor will nominate an individual to serve as Environmental and Social Manager with the goal to oversee the development and implementation of the Operations Manual and all subsequent activities related to screening, managing, and reporting on supplier information, E&S performance / compliance.	(i) at disbursement; (ii) 2 months post disbursement.

Hiring of a Consultant	eFactor will work with an expert consultant for the development and implementation of the Integrated Onboarding of the suppliers which includes: (i) digitalization of the KYC and (ii) the integration of the E&S questionnaires, together with an Environmental and Social Manual for defining tasks to achieve client compliance and how to conduct its environmental and social due diligence. All documentation developed by the consultant will be agreed and submitted to IDB Invest.	Hiring of consultant no later than one month post disbursement (ii) Environmental and Social Manual TBD
Training	eFactor will ensure ESMS manager undertakes an E&S risk management training course offered by IDB Invest or UNEP FI.	3 months after disbursement.

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.