

1. Overview of Scope of IDB Invest E & S Review

IDB invest evaluated CTH's capacity to manage E&S risks for its mortgage portfolio to be financed by IDB Invest.

2. Environmental and Social Categorization and Rationale

The transaction is categorized FI-3 based on IDB Invest's Sustainability Policy given the low risk of the underlying transactions of the current and future CTH's portfolio and the relative small size <US\$250,000.

3. Environmental and Social Risks and Impacts

The main E & S risks of this projects are associated with the location of dwellings. The potential risks associated with its main lending activities include i.e. pollution, natural disasters, non-compliance with national law and construction requirements, use of inadequate materials, etc.

CTH has the capacity to identify and manage the E&S risks of the portfolio. The assessment of E&S risks is in charge of the Origination Manager, and is part of each transaction, they back up their analysis with appraisers' valuations and reviews with expertise in E&S risks. To improve the evaluation process, elements for industrial safety and fire will be included in the ficha ambiental. CTH has included in their manual and procedures all elements related to E&S risk evaluation. However, no system has been implemented.

4. Mitigation measures

CTH must ensure that all mortgages granted comply with IDB Invest's list of excluded activities, applicable local E&S and IDB Invest's Sustainability Policy. CTH's personal in charge of E&S risk evaluation will attend the IDB Invest's Environmental and Social Risk Management training workshop for financial intermediaries online training course on Environmental and Social Risk Management. Additionally, the implementation of an Environmental and Social Management Risk System (ESRS) will be required. The ESRM will include specific procedures to assess compliance with local law, licenses, permits and List of Excluded Activities.