

## 1. Scope of Environmental and Social Review

In March 2019, through a telephone interview, IDB Invest evaluated the capacity of La Hipotecaria Compañía de Financiamiento to manage the E&S risks of its housing portfolio with the Financial Manager and the Risk Officers of both the parent company in Panama and the subsidiary in Colombia. The documents reviewed included: i) SISTEMA DE ADMINISTRACIÓN DE RIESGO CREDITICIO 05-005-23 (SARC); ii) MANUAL DE POLÍTICAS - PROYECTOS Y GARANTÍAS; and iii) FORMATO DE INFORME ÚNICO DE INSPECCIÓN A PROYECTO.

BID Invest maintains operations with Banco La Hipotecaria S.A. (parent company of La Hipotecaria Compañía de Financiamiento, incorporated in Panama) and La Hipotecaria S.A. de C.V. (subsidiary incorporated in El Salvador), the E&S risk management policy applies to the three entities of the group. For this operation, however, the documentation - SARC - of the subsidiary in Colombia was reviewed.

## 2. Environmental and Social Categorization and Rationale

The sub-projects to be supported have a low risk potential in the existing of future portfolio of LHCF (mortgage loans focused on middle and lower-middle income clients). The average value of the loans is approximately US\$57,000. Therefore, per the IIC Environmental and Social Sustainability Policy, the FI has been categorized as IF-3.

## 3. Environmental and Social Risks and Impacts

The main environmental and social risks of this project are related to the FI's ability to identify and manage environmental and social risks related to its loan activities associated with housing location. Some potential risks could include: contaminated sites, susceptibility to natural disasters, failure to comply with building regulations, use of hazardous materials during construction, proximity to environmentally and socially sensitive areas, etc.

LHCF has internal capacity to identify and manage the E&S risks associated with its housing portfolio. The analysis of the E&S aspects is in charge of the Operations Unit through the application of the SARC that establishes the performance of an appraisal as a mandatory requirement for the acceptance of the mortgage as collateral. The appraisal is carried out by qualified experts who verify that the projects are not in E&S risk areas such as: i) environmental preservation zones; ii) river rounds; iii) assignment areas; iv) road reservations; v) mass removal zones; vi) areas at risk of flooding and damage; vii) apparent and continuous servitudes; and viii) non-legalized areas such as: non-legalized public services, absence of urban equipment, service areas, etc. There is an opportunity for improvement in the E&S risk review document (SINGLE INSPECTION REPORT TO PROJECT) to incorporate elements related to fire risks.

## 4. Mitigation Measures

LHCF will be required to ensure that all loans supported comply with IDB Invest's Exclusion List, applicable E&S local laws. To enable the Borrower to better understand IDB Invest requirements, LHCF will be required to attend the IDB Invest online training course on Environmental and Social Risk Management <https://bddy.me/2Y9FU9Q>.

No action plan is required.

## 5. 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](mailto: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](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.