

1. Project Description. The proposed Project seeks to support factoring and financial leasing operations with SMEs in Chile originated by Factotal, a non-financial entity with whom the IIC has previously worked.
2. Environmental and Social Categorization and Rationale. This transaction is classified as FI-3 Category as the use of funds from this Project presents a low risk.
3. Environmental and Social Risks and Impacts. Factotal's main business is factoring and financial leasing operations with SMEs to finance working capital and leasing of vehicles, machinery, and equipment. The factoring portfolio (including operations in Peru) accounts for approximately 50% of the total loan portfolio, its average life is 43 days and is very fragmented. The remaining 50% of the portfolio consists of finance and operating leases for capital goods (mostly vehicles, machinery and equipment) and hardware and software, with terms ranging from 3 to 5 years. Factotal's total customer base is approximately 2,400 SMEs, which shows significant atomization.
4. Mitigation Measures/E&S Action Plan. Factotal's staff participated in the IIC environmental workshop on two occasions (2012 and 2014). Factotal does not finance companies with activities included in the IIC's Exclusion List and verifies that companies comply with environmental, labor and tax laws. The factoring contracts include the declaration of the clients, as well as the acknowledgment and acceptance of Factotal's Environmental Management System ("EMS"). The EMS was published in December 2015 and can be found in the company's website ([www.factotal.cl](http://www.factotal.cl)).