

1. **General information about the scope of the IDB Invest environmental and social review:** The environmental and social review of the proposed transaction was done through desk research, a due diligence visit and meetings held with Afirme's loan and risk teams, and an examination of the client's credit procedures and sustainability programs. Afirme is a new IDB Invest client with an emerging environmental and social commitment.
2. **Environmental and social classification and rationale:** The proposed credit line has been classified as an FI-2 operation under IDB Invest's Sustainability Policy. The underlying loans would be focused on Afirme's existing SME portfolio with a portion of the loan aimed towards developing a green segment within its SME segment. On-loans to SMEs average US\$200K and Afirme's portfolio is primarily concentrated in commerce and services, with some lending to manufacturing, construction, and transport. Category A sub-loans, per IDB Invest's definition, will be excluded from IDB Invest financing.
3. **Environmental and social risks and impacts:** The project's main environmental and social risks are associated with the financial institution's capacity to identify and manage the environmental and social risks linked to its loan activities. Afirme's capacity in this regard is considered emergent; this is the first loan from a development finance institution and it does not yet have an Environmental and Social Management System (ESMS) in place. While loans to the commerce and services sectors are likely to present low E&S risks, on-lending to other productive sectors, including green lending for e.g. resource efficiency and/or renewable energy may present more moderate risks.
4. **Mitigation measures:** Afirme will be required to ensure that all loans comply with IDB Invest's List of Excluded Activities, and applicable local environmental and social laws. With the support of a consultant, Afirme will also develop an overarching environmental and climate policy and an ESMS satisfactory to IDB Invest. The ESMS will include a categorization guide, screening checklists, E&S contractual clauses, and action plan templates, among others. The consultant will also support Afirme in the identification of eligible green lending opportunities within its SMEs portfolio. These activities are described in the action plan below.
5. **Environmental and Social Plan of Action:**

Activity	Description	Timeline
ESMS development and implementation	Afirmé will be required to work with a designated consultant to develop a corporate-wide ESMS consistent with IDB Invest Requirements and IFC Performance Standard 1. As part of this requirement, Afirme will form an ESMS committee (including credit risk, portfolio, and product development, among others) and assign a dedicated staff member to oversee development and operation of the ESMS.	3 months post disbursement (form committee) 9 months post disbursement (develop ESMS)

Hiring of a Consultant	<p>Afirme will work with an expert consultant for (i) the development and implementation of the ESMS and (ii) the identification and characterization of “green” lending opportunities within Afirme’s SMEs lending segment; (iii) the development and adoption of a decision-making support process for “green” project evaluation and selection, including through the definition of green lending eligibility criteria, (iv) training of Afirme staff on “green” lending.</p> <p>All documentation developed by the consultant will be agreed and submitted to IDB Invest.</p> <p>Afirme will cover a portion of the costs associated with the hiring of the consultant.</p>	Hiring of consultant, no later than one-month post disbursement
Appointment of ESMS manager	<p>Afirme will appoint an ESMS Manager responsible for guiding work between the committee and the consultant, and will be responsible for reviewing/overseeing all E&amp;S analysis.</p>	At disbursement
Training	<p>Afirme will ensure ESMS manager undertakes an E&amp;S risk management training course offered by IDB Invest or UNEP FI.</p>	Six months after disbursement.

### Contact information

For project inquiries, including environmental and social questions related to an IDB Invest investment, please contact the client (see Investment Summary sheet) or IDB Invest via email at: [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, project affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by email - [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org) - or by calling +1 (202) 623-3952.