

Environmental and Social Strategy: Credifamilia CO-L1100

I. Environmental and Social Impacts and Risks

1. The operation will provide mortgage finance for affordable, high-quality housing to low-income families in Colombia that are normally deprived from housing credit, which is expected to generate positive social impacts.
2. At the same time, typical real estate housing projects in this Operation (several hundred houses) in general produce moderate and localized environmental, social, health and safety and labor impacts. The specific environmental and social impacts and risks involved will be those related to or caused by each individual project investment. Impacts will thus be diverse and their significance will depend on the project characteristics, mainly location, size and construction standards. These impacts and risks can be mitigated with the implementation of an appropriate Environmental and Social Management System (ESMS). This system will include inter alia eligibility criteria for borrowers, exclusion criteria for locations and materials, mechanism for risk evaluation and monitoring. The criteria and ESMS will be part of the ESMP and will be included in the operational regulations of the FI. A supervisory system will also be put in place.

II. Strategy for Environmental and Social Due Diligence

3. Based on Directive B.13 of the Environment and Safeguards Compliance Policy (OP703), and given that this is a loan to a financial intermediary, this operation is not subject to an environmental impact classification.
4. During the due diligence phase, the IDB will assess Credifamilia's tools and capacity for environmental and social risk management and it will establish how environmental and social risk should be assessed, monitored and mitigated in Credifamilia's operational procedure. Based on the outcome of this exercise, the environmental and social requirements of the operation will be defined, which will be reflected in the ESMR and the Loan Agreement.
5. The environmental and social due-diligence will focus on the components listed below and will attempt to identify areas where the Bank's participation could result in additionality by promoting better management and good practices:
 - i. An assessment of Credifamilia's involvement in projects, companies or activities considered unacceptable to the IDB in case it could represent a reputational issue.
 - ii. An assessment of Credifamilia's compliance with all ESHS and labor legislation applicable in Colombia.
 - iii. An assessment of Credifamilia's tools and capacity for environmental and social risk management, especially for housing construction and improvement.

- iv. An assessment of the final criteria used to select beneficiaries, to make sure they are not discriminatory from a social standpoint.