

Environmental and Social Strategy (ESS)¹
Cooperativa Nacional de Educadores, R.L. (COOPENAE)

I Overview

- 1.1. The proposed financing (the “Loan”) will support Cooperativa Nacional de Educadores, R.L. (“COOPENAE”) in its efforts to broaden and deepen the scope of its mortgage financing targeted at low-cost housing. Additionally, the Loan will also support the expansion in the financing of low-cost housing by the cooperative sector, as COOPENAE will direct part of the proceeds through financing other financial cooperatives, which will in turn broaden their own low-cost mortgage financing portfolios.
- 1.2. The Project consists of a senior unsecured A Loan for up to US\$35 million to COOPENAE, with a maturity of up to six years, with a two-year grace period. Subject to market demand, IDB will attempt, on a best effort basis, to syndicate a senior B loan for an amount to be determined. IDB’s loan would help COOPENAE capitalize on its market leadership, as the biggest financial cooperative in Costa Rica, by supporting its ongoing efforts to increase its mortgage-lending portfolio, while also helping COOPENAE to diversify its product offering in terms of tenors and business lines.
- 1.3. Based on Directive B.13 of the Environment and Safeguards Compliance Policy, and given that this is a financial intermediary project, this operation is not categorized.

II Environmental and Social Risks and Impacts

- 2.1 Based upon the nature of this operation, there may be minimal to moderate direct environmental, social, health and safety (ESHS) and labor risks and impacts, and thus a limited environmental assessment is required. COOPENAE has received financing from other Development Finance Institutions and currently applies an Environmental and Social Management System to identify related risks at a sub-loan level.
- 2.2 The ESHS risks and impacts associated with mortgaging new and existing houses will be related mainly to the magnitude and the location of each individual property to be mortgaged. The key potential project-related ESHS risks and impacts are those typically associated with the location of the property, such as:

¹ This ESS will be made available to the public in accordance with the Bank’s policy on information disclosure. The ESS does not represent either the Bank’s approval of the Project or verification of the ESS completeness or accuracy. The Bank, as part of its due-diligence on the feasibility of the Project, will assess the environmental and social aspects. This assessment will be presented in the Project Environmental and Social Management Report that will be prepared by the Bank, and will be made available to public prior to consideration of the Project by the Bank’s Board of Executive Directors.

- Properties located on land which may have contamination such as soil and ground water contamination, which may present a human health risk;
- Particularly in older properties, those with the existence of lead-based paint, friable asbestos containing materials, equipment containing polychlorinated biphenyl compounds, or presence of hazardous gases/materials;
- Properties that are located on sites of archeological, cultural or historical value;
- Properties located in areas where previous use/activities may have resulted in localized environmental problems (i.e. abandoned landfills or waste disposal areas, industrial facilities).
- Properties located in areas at high risk to natural hazards, such as tornadoes, hurricanes, floods, or from seismic events, and fires.
- Properties located in areas near important or sensitive environmental areas (e.g. containing threatened or endangered species, tropical rain forests, natural parks, etc.)
- Properties located in areas with particular social issues such as the displacement of illegal settlements occupying the property or land on which the property is located;
- Potential discrimination and barriers for an equitable process of providing the mortgages taking into consideration ethnicity, sex, religion, age, etc.

2.3 These risks may be minimal to moderate and will be assessed during due diligence.

III Strategy for the Environmental and Social Due Diligence

3.1 As per the IDB Environment and Safeguards Compliance Policy and Guidelines, the Bank will assess COOPENAE's capacity for environmental management, through an analysis of the ESHS and labor impacts and risks associated with its mortgage lending business. This will be done through an analysis of the ESHS and labor risks and impacts associated with the Operation as well as an assessment of COOPENAE's existing ESHS policies and procedures in place to assess and manage these potential risks and impacts.

3.2 To that end, the environmental and social due-diligence will specifically include the components listed below:

- (a) An assessment of COOPENAE's compliance status with the applicable environmental, social, health and safety, and labor regulatory requirements in Costa Rica.
- (b) An assessment of COOPENAE's existing ESMS, the sufficiency of the current credit appraisal, approval, and monitoring procedures (checklists, exclusion list) to manage environmental and social liabilities, risks and/or impacts of residential mortgage loans.

- (c) An assessment of potential reputational risks associated with COOPENAE's involvement in projects, companies or activities considered unacceptable to the IDB.
- (d) An evaluation, if appropriate, of COOPENAE's status and compliance with requirements of other multilateral development facilities and programs.
- (e) An evaluation to ensure an appropriate inventory of present environmental and health and safety liabilities in COOPENAE's portfolio, and facilities, and if they exist, assess the adequacy of the action plan to properly resolve them.
- (f) An evaluation of COOPENAE's compliance with the Fundamental Principles and Rights at Work and whether they practice fair and unbiased labor practices related to sex, age, ethnicity, cultural heritage, and collective bargaining.
- (g) An assessment of the adequacy of COOPENAE's procedures to ensure that the mortgage finance application and analysis process is equitable, fair, and unbiased in terms of social factors (e.g. age, gender, cultural heritage, etc.).

3.3 The results of the due diligence will be presented in an Environmental and Social Management Report and summarized in the Loan Proposal.