

# FINDEV CANADA TRANSACTION SUMMARY<sup>1</sup>

## AVLA Peru Compañía de Seguros S.A. ("AVLA Peru")

*This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.*



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### Transaction Description

This transaction consists of a 70-month loan of US\$ 20M to Peru SME Debt I, a SPV financing small and medium sized enterprises ("SMEs") in Peru originated by Uno Capital S.A.C. and guaranteed by AVLA Peru. The loan would be part of an up to US\$ 80M debt facility to be arranged, administered, and partly subscribed by Barclays Bank PLC, alongside responsAbility Investments AG, among others.

### Transaction Details

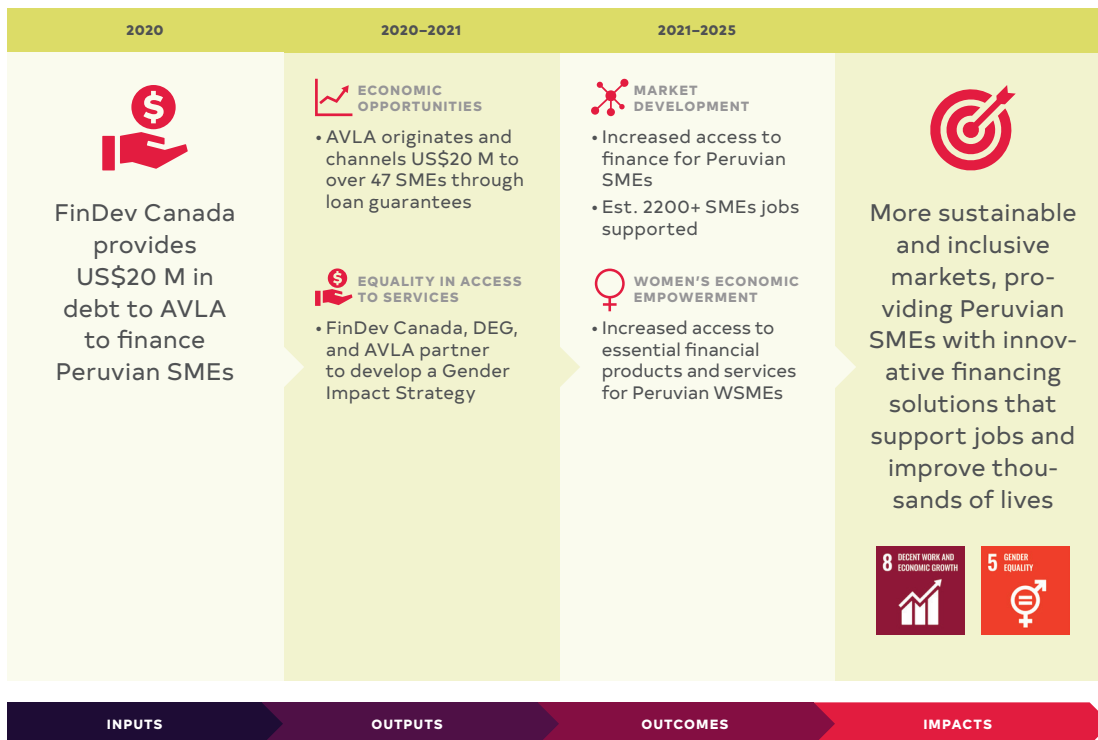
<b>COUNTERPARTY/IES</b>	1. Peru SME Debt I; 2. UNO Capital Peru S.A.C.; 3. AVLA Peru Compañía de Seguros S.A.
<b>DOMICILE OF INCORPORATION</b>	Peru
<b>DOMICILE OF OPERATIONS</b>	Peru
<b>TERM OF FINANCING</b>	70 months
<b>SECTOR</b>	Financial Services
<b>IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY</b>	Category FI-2 (Equivalent to Category B)
<b>FINANCING PRODUCT</b>	Debt
<b>FINDEV CANADA TRANSACTION AMOUNT</b>	US\$ 20 M
<b>DATE OF TRANSACTION DISCLOSURE</b>	November 12th 2020
<b>DATE OF TRANSACTION SIGNING</b>	March 18th 2021
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	June 18th 2021
<b>2X CHALLENGE QUALIFYING</b>	NA

<sup>1</sup> This document follows key requirements spelt out in the Interim Disclosure Policy, effective on Jan. 22, 2018: [https://www.findevcanada.ca/sites/default/files/2018-02/disclosure\\_interimpolicy\\_11dec2017\\_final.pdf](https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf)

## Summary of Anticipated Development Impacts

AVLA is an insurance group that offers comprehensive solutions in Latin America through guarantee insurance, credit insurance and financing solutions with operations in Chile, Peru, and Mexico. The key development impact of this transaction is to provide access to financial services to Peruvian SMEs to foster economic development and improve thousands of lives by supporting local jobs. AVLA Peru plays an important role in reducing Peru's SME financing gap by offering financial products and services specifically addressing SME pain-points, including longer tenors, faster disbursement rates, and tailored repayment schedules. FinDev Canada's loan will enable AVLA Peru to support SMEs seeking loans as small as US\$ 100K, a product offering that AVLA Peru has had limited ability to provide without a strategic financing partner.

The impact theory of change summarizes how AVLA Peru will contribute to FinDev Canada's long-term development impact goals and the UN Sustainable Development Goals ("SDGs"), particularly SDG 8, "Decent Work and Economic Growth" and SDG 5 "Gender Equality".





## MARKET DEVELOPMENT

- **Supporting quality employment:** AVLA Peru provides 130 direct jobs and offers its employees benefits such as health insurance, paid leave, parental leave for mothers and fathers, and is developing training opportunities in addition to those required by law.
- **Strengthen local SMEs and value chain:** AVLA Peru will use FinDev Canada's loan to primarily insure Peruvian SME clients that support the local economy and employment.
- **Financial and non-financial services for SMEs:** In Peru, traditional banks provide SMEs with standardized products and services, creating a barrier for SMEs that do not fit the 'one-size-fits-all' financing needs. Uno Capital originates and structures the loans for SMEs that include longer tenors, repayment schedules tailored to the SME cash flows, and faster rates of capital disbursement. AVLA Peru insures the loans for investors and provides non-financial support to its SME clients by offering free webinars, seminars and training on finance, sales, and legal matters.
- **GDP contribution through economic value-added:** The transaction will contribute economic value, both directly and indirectly, through local businesses.



## WOMEN'S ECONOMIC EMPOWERMENT

- **Support women's leadership, and quality employment:** AVLA Peru promotes gender equality among its workforce, where women account for 42% of employees and 36% of senior leadership. The company's efforts are further evidenced by its plan to develop an 'Equal Pay Policy' and by the fact that in 2019, 50% of the employees promoted were women. AVLA Peru is guided by its Diversity and Inclusion policy and Code of Conduct, that references all its other policies and guides AVLA on gender practices and all aspects of inclusion and diversity. AVLA has a Health and Safety and Sexual Harassment policy that states AVLA's position against gender-based violence and harassment and requires that all employees receive trainings on these topics. The Sexual Harassment policy. At the end of March 2021, AVLA established its Diversity and Inclusion Committee, with members from AVLA's leadership and shareholders, charged with carrying out and developing the organization's Gender Impact Strategy.
- **Supporting women's business ownership:** Analysis of its current portfolio revealed that AVLA Peru offered its women-owned small- and medium-sized enterprises ("WSME") clients better financial terms than those offered in the domestic market. Specifically, AVLA offers clients lower interest rates and longer tenors that better meet its clients' business needs, making it attractive for its WSME clients. FinDev Canada and DEG are exploring the use of Technical Assistance to support AVLA in its gender commitments, both internal and external, including the support of women's economic empowerment through gender smart products and services for WSMEs.



## CLIMATE MITIGATION AND ADAPTATION

- **Sustainable practices within operations:** Given the sector of operation, AVLA Peru has a low environmental footprint. Nevertheless, AVLA Peru is a signatory of the UN Principles for Sustainable Insurance and, as such, requires staff to undergo mandatory training on strategies to reduce waste and energy consumption through their EcoAvla program.

## Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This review has been completed in accordance with FinDev Canada's Environmental and Social Policy. The transaction is considered to be Category FI-2, which is equivalent to Category B and specific to financial institutions, as the majority of the financial institution's existing and proposed portfolio is comprised of, or includes, a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

The environmental and social risks attributed to this transaction are a result of AVLA Peru's individual transactions using FinDev Canada's funds for deal origination, and the potential impacts that those transactions will have on people and the environment. AVLA Peru's customer base consists of SMEs across a broad range of sectors in Peru. Risks associated to this type of lending can be diverse and may trigger different IFC Performance Standards. Site specific impacts for each on-lending/insurance transaction cannot be determined by ESRM at this time.

During due diligence, FinDev Canada reviewed AVLA Peru's Environmental and Social Risk Management Statement and a due diligence presentation. An assessment of labour practices was also undertaken through review of AVLA Peru's human resources policies and Peruvian legislation. Due diligence questions were posed to AVLA Peru and its shareholders, providing sufficient insight into AVLA Peru's existing systems and future direction.

AVLA Peru is working alongside their shareholders in order to develop and strengthen their management systems and capacity in order to meet best practice. FinDev Canada is confident that AVLA Peru will meet our environmental and social expectations and maintain its regulatory compliance in the markets in which it functions.

The following International Finance Corporation ("IFC") Performance Standards were applied in FinDev Canada assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions