

FINDEV CANADA TRANSACTION SUMMARY¹

Cooperativa de Ahorro y Crédito Pacífico ("COOPAC")

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.



Transaction Description

As Peru's largest credit and savings cooperative, Cooperativa de Ahorro y Crédito Pacífico (COOPAC) was founded in 1970 in Lima by the Peruvian-Japanese community ("Nikkeis"). Now with 10 branches in the Lima area, COOPAC serves individuals and small and medium-sized enterprises (SMEs).

Transaction Details

COUNTERPARTY	Cooperativa de Ahorro y Crédito Pacífico
DOMICILE OF INCORPORATION	Peru
DOMICILE OF OPERATIONS	Peru
TERM OF FINANCING	5 years
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-2
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	USD 10 million
DATE OF TRANSACTION DISCLOSURE	26 February 2021
DATE OF TRANSACTION SIGNING	01 June 2021
DATE OF TRANSACTION SUMMARY PUBLICATION	16 September 2021
2X CHALLENGE QUALIFYING	Yes, based on the indirect (Financial intermediaries) and direct (Leadership and Employment) criteria

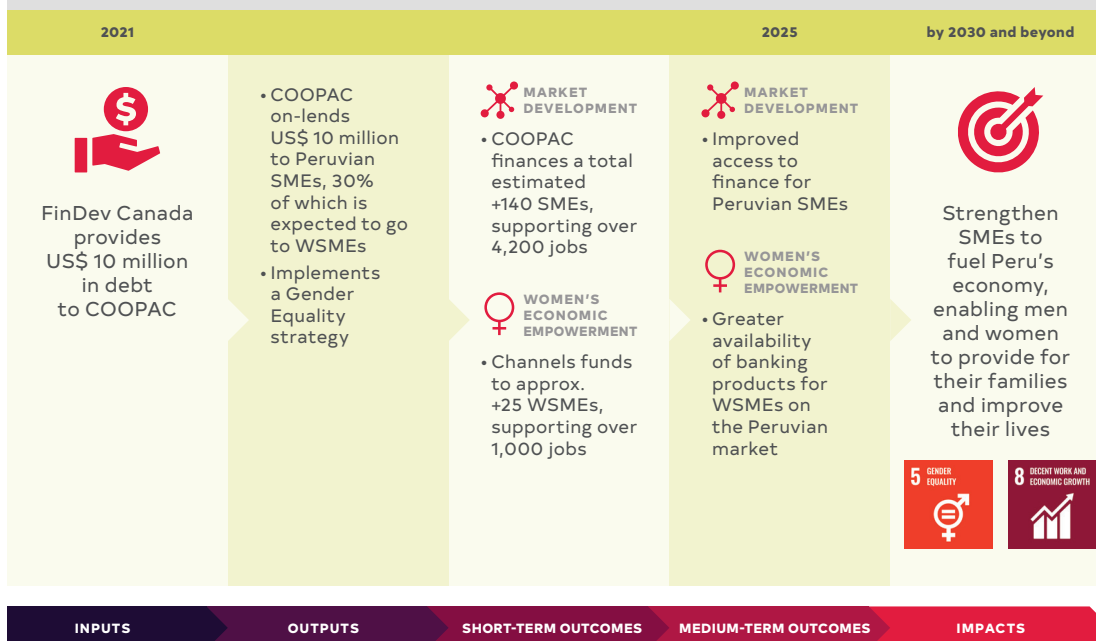
¹This document follows key requirements spelt out in the Interim Disclosure Policy, effective on Jan. 22, 2018: https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to provide financing to Peruvian small and medium-sized enterprises (SMEs), of which at least 30% will be women-owned/led SMEs (WSMEs). This transaction will ultimately support Peru's economy, in turn improving the economic well-being of women and men in the country, as illustrated by the impact theory of change below.

Barriers:

- SME financing gap in Peru is US\$ 7.3 billion
- Low rates of access to finance; only 35% of Peruvian SMEs have obtained loans from FIs
- 13% of SMEs in Peru are women-owned or operated





MARKET DEVELOPMENT

- **Supporting Peru's local economy by financing SMEs:** access to financing remains a struggle to SMEs in Peru, a challenge which was further exacerbated by the COVID-19 pandemic. As the largest credit and savings cooperative in the country and with SMEs representing 88% of its total loan portfolio, COOPAC is well-placed to channel FinDev Canada's funds to an estimated 140 or more SMEs,² thus promoting access to finance for local economic recovery and growth.
- **Supporting local jobs:** SMEs play a major role in the Peruvian economy, particularly as they employ 89% of the country's private sector workforce. Through this transaction, FinDev Canada's funds will support COOPAC's capacity to finance SMEs, which will in turn support an estimated 4,200 jobs in Peru.³



WOMEN'S ECONOMIC EMPOWERMENT

- **Supporting women entrepreneurs:** given that approximately 10% of COOPAC's SME loans are provided to women-led/owned enterprises (WSMEs), the commitment to channel 30% of FinDev Canada's loan to WSMEs reflects the cooperative's strategic intention to grow the WSME segment in its portfolio.
- **Supporting quality employment for women in financial services:** in addition to having a significant representation of women in senior management (29%) and employment (53%), COOPAC provides quality employment as it supports employees through the provision of health insurance, parental leave, training opportunities and education loans and bonuses, which contribute to employees' retention and career advancement. The cooperative is also working on developing a gender equality strategy to enhance its impact on gender equality in its workforce and its portfolio.
- **2X Challenge qualifying:** this is a 2X transaction due to COOPAC's commitment to channel at least 30% of FinDev Canada's loan proceeds to WSMEs (indirect criteria) and the fact that COOPAC meets the criteria for women in leadership (commitment to reach 30% threshold) and in quality employment (53%, vs 40% threshold, combined with evidence of quality employment). In line with the interpretation of the 2X Criteria for financial intermediaries adopted by 2X members in 2021, FinDev Canada will report 100% of the transaction value to the 2X Challenge.

² Estimate is based on COOPAC average SME loan size.

³ Estimate is based on COOPAC average SME loan size and average number of employees by SMEs in Peru.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

Environmental and social (E&S) risks associated with this transaction are minimal and well mitigated through COOPAC's Environmental and Social Management System (ESMS) developed in 2018, which is suitably aligned with the IFC Performance Standards. FinDev Canada will monitor implementation of the ESMS through regular, independent audits to ensure ongoing alignment with relevant standards and identify opportunities for improvement.

The E&S risks of this transaction lie with the individual companies that COOPAC may support with FinDev Canada funds. COOPAC's lending portfolio is primarily composed of micro- and SMEs in the urban setting of Lima and in sectors such as real estate, transport, services and commerce where overall environmental and social risks are expected to be low to moderate. Furthermore, FinDev Canada's support will not be directed towards any project finance opportunities, nor any activities listed on the IDB Invest Exclusion List, which restricts the Cooperative from supporting high risk sectors and contexts. This review was completed in accordance with FinDev Canada's Environmental and Social Policy.

An illustrative list of key documents reviewed is outlined below:

- Due Diligence presentations for Lenders and questionnaires;
- COOPAC's ESMS Manual, E&S Policy, Sustainability Policy and Climate Change Policy and 2019 Sustainability Reports;
- Third party assessments of alignment with client protection principles; and
- Human resource strategies and policies.

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada's 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