

Host Country	Federative Republic of Brazil
Name of Borrower	Banco Daycoval S.A.
Project Description	The creation of a \$500 million portfolio of loans (the “ Project ”) to small and medium-sized enterprises (“ SMEs ”), of which \$400 million will be provided by DFC through a Direct Loan (“ the Loan ”) and \$100 million will be provided by the Borrower. The proceeds of the Loan will be used for the financing of Eligible Loans by the Borrower to Qualified SME Customers in Brazil (the “ Project ”) with at least 30% of the Loan proceeds to be used to provide loans to 2X Eligible SMEs (“ 2X Loans ”) and at least 25% of the Loan proceeds to be used to provide loans to SMEs located in the Project Zone (“ Project Zone Loans ”).
Proposed DFC Loan/Guaranty	\$400,000,000
All-Source Funding Total	\$500,000,000
Policy Review	
Developmental Objectives	<p>SMEs account for approximately 98.5% of Brazil’s enterprises, 54% of employment and 27% of GDP, yet they face a finance gap of over \$437 billion. Within this total, women-owned and -led enterprises face a finance gap of up to \$15.7 billion. Brazilian SMEs face a variety of challenges in accessing finance, including high interest rates, a lack of collateral, and limited training, capacity building and networking opportunities. Further, Brazil is challenged by inequality, with a Gini coefficient of 0.53 and distinct regional gaps in economic growth between the northern and southern parts of the country.</p> <p>In response to these challenges, the Project is expected to have a positive development impact in Brazil by expanding lending to Small and Medium Sized Enterprises (SMEs) with an emphasis on women-owned and led enterprises. The DFC Project will expand access to SME finance across Brazil, with at least 30% of the proceeds expected to support 2X eligible enterprises and 25% allocated to economically disadvantaged states in the Project Zone. DFC plans to qualify the Project as 2X based on the Borrower’s undertaking to meet and/or exceed the 2X criteria for women’s representation in employment and the percentage of women-owned and -led enterprises in the DFC Project. Given the Project characteristics, the Project is categorized as Impactful per DFC’s Impact Quotient (“IQ”).</p>
Environment and Social Assessment	The Project has been reviewed against the DFC’s 2020 Environmental and Social Policies and Procedures manual (“ ESPP ”) and has been determined to be categorically eligible. DFC loans to financial institutions for the expansion of lending to small- and medium-enterprises (“ SME ”) in various sectors are screened as a Financial Intermediary C (FI-C) for environmental and social assessment. These downstream investments are expected to result in minimal

adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as low risk and further review and consent is not required for these investments.

To ensure that the Borrower's on-lending is consistent with the DFC's statutory and policy requirements, the DFC loan will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy ("ESP") that meets the 2012 IFC Performance Standards.

Under the DFC's ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation's Performance Standard ("PS") 1 and 2. A desk-based due diligence assessment indicates that because the Project will provide DFC support to a financial institution for the purposes of expanding its on-lending portfolio to various SME's in Brazil, significant adverse impacts concerning community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Borrower does utilize private armed security and therefore, relevant aspects of IFC PS 4, Community Health, Safety, and Security are triggered.

The Borrower does have an environmental and social policy partially aligned to IFC PS 1, and grievance mechanisms and human resources policies generally commensurate with its investment strategy. However, the Borrower will be required to provide an updated Environmental and Social Policy and including revisions for additional screening and monitoring procedures, responsible managers, and GHG considerations, to be fully aligned with the DFC's 2020 Environmental Policy and Procedures.