Environmental and Social Review Summary ("ESRS")

First Citizens Partnership / 11805-03 (Revised Version)

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1. **Scope of Environmental and Social Review**. The Environmental and Social ("E&S") review of the proposed transaction was carried out through a desk review, virtual meetings with First Citizens, and a review of relevant institutional, portfolio, risk management, credit, and governance documentation. The review considered First Citizens' existing risk management framework, current Environmental and Social Management System ("ESMS") practices, and the composition of the SME portfolio to be financed under the operation.

   First Citizens has previously initiated the development of an ESMS framework. Through this operation, IDB Invest will support the refinement and operationalization of the ESMS to ensure its effective application to the SME lending activities financed under the operation.

2. **Environmental and Social Categorization and Rationale**. The proposed operation is classified as FI-2 in accordance with IDB Invest's Environmental and Social Sustainability Policy.

   The financing will support: (i) the expansion of First Citizens' low- and middle-income household mortgage portfolio; (ii) digitalization investments and products for retail and commercial customers; (iii) the growth of the Bank's SME lending portfolio; and (iv) the establishment and expansion of a sustainable lending portfolio.

   The FI-2 classification is justified because the operation involves financial intermediation for SME activities with potential low to moderate environmental and social risks. The principal E&S risks associated with the operation are expected to arise from SME lending activities. Mortgage lending and digitalization investments are expected to present limited E&S risks. Proceeds will not be used to finance corporate lending, Category A sub-projects, upstream oil and gas exploration and production, or activities included on the IDB Invest Exclusion List.

   First Citizens defines SME clients as entities with annual sales of up to US$4 million, or annual deposits of up to US$2.5 million where financial statements are unavailable. Based on 2025 data provided, the average SME loan amount was approximately US$60,100 and the average SME portfolio tenor was 7.2 years.

3. **Environmental and Social Risks and Impacts**. The principal E&S risk associated with the operation relates to First Citizens' capacity to consistently identify, assess, manage, and monitor E&S risks associated with SME lending activities.

   Based on the current composition of the SME portfolio, lending is expected to be spread across an array of sectors including trade and distribution (36.1%), construction (13.7%), real estate (12%), manufacturing (9.4%), food stores (5.4%), and consumer (5.4%). Potential E&S risks associated with these sectors are generally expected to be low to moderate and may include occupational health and safety hazards, risks related to labor and working conditions, waste generation and disposal, air emissions, pollution prevention considerations, transport and road safety risks, fire and life safety risks, environmental permitting requirements, and community health and safety impacts.

   The level of E&S risk will depend on the nature, size, location, and sector of each SME borrower and the specific use of proceeds. Given the expected SME profile and loan sizes, the risks are expected to be manageable through the implementation of a fit-for-purpose ESMS integrated into First Citizens' SME credit and portfolio management processes.

First Citizens has institutional policies and procedures relevant to labor and governance, including a Code of Conduct, Ethics and Financial Affairs Policy, guidelines on non-discrimination and anti-harassment, and a corporate grievance mechanism that includes whistleblowing procedures and anonymous reporting through its website. First Citizens employs approximately 1,826 persons, of whom approximately 1,298 are women and 528 are men, and women represent approximately 54% of the management team. First Citizens also has a Collective Agreement with the local Recognized Majority Union and complies with applicable local legislation on maternity leave.

4. **Mitigation Measures**. First Citizens has initiated development of an ESMS with the support of an external consultant specialized in E&S risk management and has applied elements of the framework to selected lending activities. Oversight of environmental and social risk management currently resides within the Bank's risk management functions. Through this operation, First Citizens will update and operationalize its ESMS to ensure effective application to the SME portfolio financed under the operation.

The updated ESMS will include risk-based procedures proportionate to the nature and scale of SME lending activities financed under the operation. These procedures will include, at a minimum: screening and categorization of transactions; application of the IDB Invest Exclusion List; sector-specific risk guidance; environmental and social due diligence procedures; monitoring requirements; and internal reporting processes integrated into SME credit activities. The ESMS will be aligned with IDB Invest's Sustainability Policy, IDB Invest's Exclusion List, applicable local E&S laws and regulations, and the risk-management principles reflected in IFC Performance Standard 1 for Financial Intermediaries.

First Citizens will designate a responsible E&S focal point or manager to oversee implementation and ongoing operation of the ESMS. The designated individual will coordinate implementation across relevant business units, oversee E&S monitoring and reporting, and serve as the primary focal point for IDB Invest on E&S matters. Responsibilities related to ESMS implementation and E&S risk management will be formally incorporated into the individual's workplan or performance responsibilities.

First Citizens will also implement targeted E&S capacity building for personnel involved in SME lending and risk management. Training will cover practical application of the ESMS, identification of key E&S risks associated with relevant SME sectors, exclusion list requirements, E&S screening and categorization procedures, and escalation protocols. The designated E&S focal point will complete the IDB Invest "ESMS in Practice" course or equivalent training approved by IDB Invest.

The ESMS implementation will follow a phased approach and will be progressively integrated into First Citizens' SME credit and portfolio management processes.

5. Environmental and Social Action Plan (“ESAP”):

Item #	Action	Action Item	Product/Deliverable	Completion Date
PS 1: Assessment and Management of Environmental and Social Risks and Impacts				
1.1	Environmental and Social Governance and Capacity	First Citizens will formally recruit and hire an E&S focal point or responsible manager to oversee implementation and operation of the ESMS for the SME portfolio financed under the operation. Responsibilities associated with ESMS oversight and E&S risk management shall be formally incorporated into the individual’s workplan and performance responsibilities. The designated person shall complete the IDB Invest “ESMS in Practice” course or equivalent training approved by IDB Invest.	(i) Formal designation letter/email; (ii) workplan reflecting E&S responsibilities; and (iii) training completion certificate.	Within six months of first disbursement.
1.2	Environmental and Social Management System (“ESMS”)	First Citizens will update and operationalize its existing ESMS to ensure effective application to the SME asset classes financed under the operation. The updated ESMS shall include, at a minimum: (i) E&S policy; (ii) E&S screening and risk categorization procedures for SMEs; (iii) exclusion list screening; (iv) sector-specific risk guidance for key sectors in the SME portfolio; (v) E&S due diligence procedures for higher-risk segments; (vi) monitoring and annual review procedures; (vii) incident notification procedures; (viii) documentation and recordkeeping requirements; and (ix) internal reporting procedures integrated into SME credit processes.	Updated Environmental and Social Management System and evidence of approval.	Nine months after first disbursement.
1.3	ESMS Rollout and Implementation	First Citizens will develop and implement a phased ESMS rollout plan for the SME business line. The implementation plan shall define responsibilities, milestones, implementation timelines, integration into SME credit processes, internal review procedures and management oversight arrangements.	ESMS implementation roadmap/action plan and evidence of implementation into SME credit processes.	Twelve months after first disbursement.
1.4	Organizational Capacity Building	First Citizens will provide E&S training to relevant personnel involved in SME lending and risk management, including relationship managers, credit officers, portfolio teams and management. Training shall include practical application of the ESMS, exclusion list screening, sector-specific E&S risks, E&S categorization procedures, escalation protocols and monitoring requirements.	Training plan, training materials, and attendance records.	Twelve months after first disbursement.

6. **Contact Information** For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.