Environmental and Social Review Summary (“ESRS”)

Banco Industrial: Debt Token Issuance in El Salvador / 16172-01

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1. **Scope of Environmental and Social Review**. The Environmental and Social (“E&S”) review of the proposed transaction consisted of an analysis of the relevant processes, policies, and procedures of Banco Industrial El Salvador S.A. (“BIES” or the “Bank”), as well as information on its loan portfolio. In addition, discussions were held with officers and members of the Bank’s senior management. BIES is part of BiCapital Corporation, with whom BID Invest maintains financing lines through financial institutions within the group.

2. **Environmental and Social Categorization and Rationale**. The proposed issuance is classified as FI-2 in accordance with BID Invest’s Environmental and Social Sustainability Policy, given that the bond proceeds will mainly support sub-loans in the Small and Medium-Sized Enterprises (“SMEs”) segment, potentially also including women-led or women-owned SMEs and retail banking products. Considering the nature of the economic activities financed, the sub-loans supported by the transaction are expected to finance activities with low to moderate E&S risk.

   The Performance Standards (“PS”) applicable to the transaction are: (i) PS 1: Assessment and Management of Environmental and Social Risks and Impacts; and (ii) PS 2: Labor and Working Conditions. BIES will not finance, with the proceeds of BID Invest’s investment, category A subprojects (high risk), as defined by BID Invest, nor any activities included in BID Invest’s exclusion list.

   Salvadoran regulation, and therefore BIES, defines SMEs as companies with annual revenues of up to US$7 million. SME portfolio loans have an approximate average amount of US$479,342.67 and an average tenor of 5.23 years. Currently, the five sectors with the largest share of the SME portfolio are: construction (35%), professional and other services (29%), commerce (19%), financial and insurance activities (7%), and manufacturing (7%).

   The transaction is aligned with the Paris Agreement based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.

3. **Environmental and Social Risks and Impacts**. The main environmental and social risks of this transaction are associated with the Bank’s capacity to identify and manage the risks related to its financing activities. Considering the nature and expected profile of the sub-loans, such risks are expected to be low to moderate and primarily related to labor and working conditions, occupational health and safety, waste management, and community health and safety. Overall, the environmental and social risk associated with the financed portfolio is considered moderate.

4. **Mitigation Measures**. In accordance with its policies, BIES has an Environmental and Social Management System (“ESMS”) that includes an exclusion list, E&S risk categorization and assessment procedures, due diligence processes for higher-risk operations, and monitoring mechanisms to verify compliance with applicable environmental legislation and with the commitments established during the assessment of each applicable operation. The Bank has an E&S Risk Officer responsible for overseeing implementation of the ESMS and monitoring operations that require environmental and

social follow-up, supported by other operational areas. In addition, the Bank has Human Resources policies and a Code of Ethics that incorporates principles of equal opportunity and non-discrimination, as well as a confidential and accessible grievance mechanism for its employees.

BIES shall ensure that all subprojects financed under this operation comply with applicable local environmental and social legislation, the Exclusion List, BID Invest's eligibility criteria, and the Bank's current ESMS.

5. **Environmental and Social Action Plan ("ESAP")**. N/A.

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.