Environmental and Social Review Summary ("ESRS")

BAC HN: Catalyzing Investments in Projects with an Environmental and Social Focus -Honduras / 15972-01

Original language of the document: Spanish
Issuance date: August 2026

1. **Scope of Environmental and Social Review**. The Environmental and Social ("E&S") review of the proposed transaction was conducted during June and July 2026 and consisted of an analysis of the relevant processes, policies, and procedures of Banco de América Central Honduras, S.A. ("BAC Honduras" or the "Bank"), as well as information on its loan portfolio. In addition, meetings were held with representatives from the Bank's Risk, Sustainability, and Business departments. BAC Honduras is an existing client of IDB Invest and has demonstrated satisfactory Environmental and Social performance.

2. **Environmental and Social Categorization and Rationale**. The proposed transaction has been classified as FI-2, in accordance with IDB Invest's Environmental and Social Sustainability Policy, since the asset class being financed consists of subprojects from the Micro, Small, and Medium-sized Enterprises ("MSMEs") portfolio, as well as eligible subprojects from the Environmental Focused Portfolio,[1] which may include financing from both the MSME and corporate segments. These subprojects are expected to present moderate E&S risks and impacts, generally site-specific, largely reversible, and effectively addressable through the implementation of appropriate mitigation measures.

   BAC Honduras defines MSMEs as companies with annual sales of up to US$5 million. Loans in the MSME portfolio have an average amount of approximately US$72,900 and an average loan tenor of 4.4 years. Currently, the six sectors with the largest share of the MSME portfolio are: Trade (36.7%), Services (28.5%), Real Estate (8.6%), Hotels and Restaurants (7.4%), Construction (4.8%), and Agriculture and Livestock (4.7%).

   The Performance Standards ("PS") applicable to the transaction are: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; and (ii) PS2: Labor and Working Conditions. BAC Honduras may not use IDB Invest resources to finance subprojects classified as Category A (high risk), as defined by IDB Invest, nor those involving activities included in the IDB Invest Exclusion List.

   The transaction is considered aligned with the Paris Agreement, based on an analysis conducted in accordance with the IDB Group's Paris Alignment Implementation Approach, and taking into account the relevant actions in the Environmental and Social Action Plan.

3. **Environmental and Social Risks and Impacts**. The major E&S risks and impacts of the transaction relate to BAC Honduras's ability to identify, assess, and manage the E&S risks associated with the financed activities. These risks may include issues related to Occupational Health and Safety, waste and effluent management, air emissions, land-use change, community health and safety, working conditions, and

[1] Eligible subprojects under the Environmental Portfolio include the Renewable Energy category, which covers, among others, renewable energy projects such as solar photovoltaic and wind power (up to 10 MW) as well as hydroelectric power (up to 5 MW).

the supply chain, among others. Depending on the sectors and the type of asset being financed, the subprojects are expected to present moderate-level E&S risks and impacts, which will be managed through the Bank’s existing procedures, reinforced by the measures described in Section 5 of this document.

4. **Mitigation Measures**. BAC Honduras has an Environmental and Social Management System (“ESMS”) to identify, assess, manage, and monitor the E&S risks and impacts associated with its financing activities. ESMS is supported by an Environmental and Social Risk Policy approved by the Board of Directors and incorporates, among other elements, an Exclusion List, procedures for the assessment and categorization of E&S risks, due diligence requirements, mitigation and monitoring measures, as well as specific guidelines for managing sectors and activities with higher E&S risks. The implementation of the ESMS is led by the two Environmental and Social risk officers within the Bank’s Risk department, with support from the Business and Sustainability departments. Additionally, the Bank has a Sustainable Finance Taxonomy that supports the identification and classification of eligible subprojects in the Environment-Focused Portfolio.

   BAC Honduras has human resources policies and procedures that incorporate principles of equal opportunity, non-discrimination, and the prevention of harassment and violence in the workplace. Furthermore, the Bank has an internal consultation and reporting mechanism that allows its employees to confidentially raise concerns, file complaints, or report issues related to the workplace.

   BAC Honduras must ensure that all subprojects comprising the asset class financed by IDB Invest comply with applicable local Environmental and Social legislation, the current ESMS, IDB Invest’s eligibility criteria, the IDB Invest Exclusion List, and, where applicable, the International Finance Corporation (“IFC”) Performance Standards. As well as the Environmental and Social Action Plan described in Section 5 of this document, the Bank will implement measures aimed at strengthening its environmental and social risk management. In addition, staff responsible for implementing the ESMS must complete the online course “ESMS in Practice” offered by IDB Invest.

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

#	Action	Deliverable	Delivery Date
PS 1: Assessment and Management of Environmental and Social Risks and Impacts			
Environmental and Social Assessment and Management System			
1	1.1 Establish the application of IFC’s Performance Standards (PS) for loans to subprojects corresponding to the financed asset class, with a total amount of US$≥ 5 million and a loan tenor of ≥36 months	ESMS Updated	Within 12 months of the first disbursement
	1.2 Strengthen existing processes, forms, and procedures, and develop those necessary for the implementation of IFC’s Performance Standards.	ESMS Updated	Within 12 months of the first disbursement
	1.3 Develop and incorporate into ESMS criteria for determining the cases in which the participation of external consultants with experience in applying the IFC Performance Standards will be required during the ESDD for subprojects with potentially complex E&S risks and impacts that may require specialized knowledge, as well as biodiversity or sensitive social issues. Additionally, develop standard Terms of Reference (“TOR”) for the hiring of such consultants.	Updated ESMS, including criteria for the engagement of external consultants and their TOR.	Within 12 months of the first disbursement

#	Action	Deliverable	Delivery Date
	1.4 Apply the processes, forms, and procedures developed under item 1.2 to loans for subprojects in the financed asset class to which the IFC's PS apply. In addition, submit to IDB Invest the first three Environmental and Social Due Diligence Reports ("ESDDRs"), or their equivalent, for such subprojects, in order to confirm the E&S categorization and review the proposed Environmental and Social Action Plan.	i) First three ESDDRs that apply the IFC Guidelines ii) All ESDDRs for renewable energy subprojects that apply the IFC PS	i) As each ESDDRs becomes available ii) As part of the ESMR[2]
External Communications			
2	Establish and implement a procedure for managing public opinions, concerns, complaints, and requests for information related to Environmental and Social Considerations, which sets forth the channels for receiving such communications, as well as the process for evaluating, recording, following up on, and responding to them, as appropriate.	i) Approved procedure ii) Evidence of implementation	i) Within 12 months of the first disbursement ii) As part of the ESMR
Management programs			
3	Develop and implement a procedure to assess occupational risks in the supply chain of eligible subprojects financed with IDB Invest resources that involve the procurement of solar panels. The procedure shall include, where applicable, mapping of the solar panel supply chain.	i) Approved procedure ii) Evidence of implementation \	i) Within three months of the first disbursement ii) As part of the ESMR
4	Develop and implement a procedure for identifying and managing physical climate risks in the subprojects that make up the Environmental Portfolio eligible for this transaction.	i) Approved procedure ii) Evidence of training on the procedure	Within 18 months of the first disbursement
Organizational Capacity and Competence			
5	Develop and implement a training program for Bank staff involved in the implementation of ESMS—including senior management—on the operation of ESMS and the application of IFC's Performance Standards.	i) Training Program ii) Evidence of training	Within 12 months of the first disbursement
6	The Bank's E&S risk team must complete the online "[3] " course on Environmental and Social risk management offered by IDB Invest.	Course completion certificate	i) Within six months of the first disbursement ii) As part of the ESMR, each time new staff join the E&S team

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.

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2 ESMR stands for Environmental and Social Monitoring Report, which must be submitted regularly to IDB Invest.

3 Registration is available at the following link: ESMS in Practice.