

## Disclosure of Public Information (FI)

### A. Investment Summary

<b>Disclosed date:</b>	July 28, 2021
<b>Project Name:</b>	Banistmo, Guarantee Program for the Tourism Sector
<b>Project Number:</b>	12174-03
<b>Investment Type:</b>	Guarantee
<b>Environmental and Social Category:</b>	FI-2
<b>Projected Board Approval Date:</b>	September 21, 2021
<b>Company Name:</b>	Banistmo S.A.
<b>Sector:</b>	Financial Services
<b>Amount of Investment:</b>	31,000,000
<b>Currency used:</b>	USD
<b>Project Country:</b>	Panama
<b>Team Leader:</b>	Daniel Arévalo
<b>For inquiries about the Project, contact:</b>	Valeria Rosales Padilla Corporate Sustainability Manager valeria.rosales@banistmo.com  Diana Cristina Lopera Arroyave Credit Risk Director diana.lopera@banistmo.com

### Project scope and objective and participation of IDB Invest:

The Project involves establishing a risk mitigation guarantee program for Banistmo with the support of IDB Invest and Panama's National Government, with the objective of guaranteeing Banistmo's existing portfolio loans and the new loans issued by Banistmo to the tourism sector nationwide. IDB Invest shall provide a guarantee of up to USD 31 million to support Banistmo in reducing its portfolio risk by expanding its capacity to generate new productive loans supporting the economic recovery of the sector. The program will also be partially guaranteed by the Panamanian National Government.

### B. Environmental and Social Review

#### 1. General Information and Overview of Scope of IDB Invest E&S Review

The environmental and social (E&S) assessment of the proposed transaction consisted in reviewing the documentation and holding conversations with the Sustainability Management and members of the business and risk areas at Banistmo. The Bank has been a client of IDB Invest's since 2015 and has shown satisfactory performance.

#### 2. Environmental and Social Categorization and Rationale

The proposed transaction is classified as FI-2 per IDB Invest’s Environmental and Social Sustainability Policy. The security for the SME and corporate (large companies) segments to be supported presents moderate risk, i.e., the guarantees to be granted by the Bank include or are expected to include activities with relatively few potential limited adverse environmental and social risks that are site-specific and mostly reversible and remedied through mitigation measures. The guarantees to be granted by the Bank with IDB Invest’s funds will be exclusively destined to the tourism sector and will exclude projects involving new constructions and greenfield projects.

Banistmo defines as: “small company” as one with annual revenue between USD 150,000 and USD 1 million; a “medium-sized company” as that with annual revenue between USD 1 million and USD 2.5 million; and finally, a “large company” as one with an annual revenue between USD 2.5 million and USD 10 million. Average loans for the tourism sector amount to USD 136,000 for the SME portfolio, with an average tenor of 5 years, whereas for large companies they are worth USD 1.3 million, with an average tenor of 2.4 years. The main supported subsectors within the tourism industry are restaurants and hotels (81%<sup>1</sup>; 64%<sup>2</sup>), transportation and storage (12%; 18%), and services (7%; 18%).

The projects to be supported by the guarantee will be exclusively earmarked for small- and mid-sized companies (SMEs) and large companies (corporate segment) operating in the tourism sector. As required by the guarantee and the eligibility criteria, the transactions and sectors supported by this guarantee (the subloans) will be classified as of low moderate risk. Thus, the subloans covered by the guarantee will: (i) be fully destined to the tourism sector; (ii) not be allowed for new constructions or greenfield projects; (iii) not be allowed to support category A clients/projects, as defined by IDB Invest, and (iv) not be allowed for sectors with high moderate risk.

### **3. Environmental and Social Risks and Impacts**

The main E&S risks of this Project are associated with Banistmo’s capacity to identify and manage the E&S risks associated with its lending activities and those covered by the guarantee. The main risks associated to the projects covered by the guarantee are related to the generation of waste and wastewater, as well as to the occupational health and safety of the people involved.

The Bank has in place Bancolombia’s Group Corporate Environmental and Social Risk Management Policy. Banistmo must assure that its internal policies comply with the provisions in the Corporate Policy and the local regulations. The Corporate Policy, which includes the application of the International Finance Corporation’s Performance (IFC) Standards, is usually applied to loans over USD 10 million or over USD 2.5 million in higher risk sectors or subsectors (for instance, mining, chemicals, animal slaughter plants, etc.). For loans to large companies, Grupo Bancolombia applies a detailed questionnaire (F-SIGA-005) as indicated in its Corporate Policy, which includes questions about climate risk and human rights protection, which is implemented by the Risk VP office. Moreover, Banistmo uses a basic questionnaire to check for compliance with local regulations for all its loans, including those to SMEs.

The Bank has in place Bancolombia’s Group Code of Conduct and Ethics; it also has an Ethics Committee in charge of enforcing an internal grievance mechanism (with an option for full anonymity); they can scale certain issues to the Corporate Ethics Committee if necessary.

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<sup>1</sup> SME portfolio.

<sup>2</sup> Large companies or corporate portfolio.

Bancolombia Group prepares an annual management report that comprises financial aspects as well as the progress made in environmental and social aspects as a Group. In 2019 Banistmo used to issue a news report on sustainable generation with information about energy efficiency and corporate social responsibility activities. The news report has become a radio broadcast aired twice a week with information capsules on sustainability and the progress made by Banistmo in sustainable finance.

#### **4. Mitigation Measures**

The Bank shall assess, implement, and monitor environmental and social risks to strengthen its Environmental and Social Risk Corporate Policy (ESMS) as applied to Banistmo's transactions guided by the IFC's Performance Standard 1<sup>3</sup>, so that it can fully enforce local regulations and the Performance Standards when needed<sup>4</sup>.

The transactions in the tourism sector under the guarantee shall meet all the requirements of the relevant local regulations in force in Panama. In other words, Banistmo shall check that the companies under the guarantee have produced environmental management instruments and obtained the permits required by each competent authority, such as: (i) the Ministry of Environment's approval of the Environmental Impact Assessments (EIA); (ii) construction and occupation permits and authorizations issued by the DOYC (Works and Constructions Office) of the related municipalities; (iii) approval of the preliminary designs and certificate of occupancy issued by the Panama Firefighters Corpse (the "Firefighters Corps"); (iv) land use and release of land certificates issued by the MIVIOT (Ministry of Housing and Land System); (v) compliance with the safety principles of Panama civil protection regulations (Administrative Order No. 177 of 2008<sup>5</sup>); (vi) compliance with Panama labor laws<sup>6</sup>, and others that might apply.

The Bank's staff in charge of enforcing and monitoring the compliance with the Corporate Policy, and assessing the overall risk shall be trained, either internally or externally, on how to enforce and implement the Policy observing IDB Invest's Exclusion List and the local regulations.

Moreover, for the transactions covered by the guarantee that trigger any of the IFC's Performance Standards, Banistmo will submit the analysis performed for IDB Invest's review and will monitor the implementation of the action plans defined for the projects involved in the guarantee.

All financing granted by Banistmo under IDB Invest's guarantee shall comply with the provisions of IDB Invest's Exclusion List<sup>7</sup>, the guarantee's eligibility list, the national and local E&S applicable laws and the IFC's Performance Standards, as the case may be. For better understanding IDB Invest's requirements, Banistmo's staff in charge of enforcing and monitoring compliance with the Corporate Policy shall attend training sessions on environmental and social risk management organized by IDB Invest for financial intermediaries.

#### **5. E&S Action Plan:**

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<sup>3</sup> Interpretation note for financial intermediaries

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/publications/publications\\_policy\\_interpretationnote-fi](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_interpretationnote-fi)

<sup>4</sup> Projects with a total cost of at least USD 10 million.

<sup>5</sup> Administrative Order No. 177 of April 30, 2008, regulating Law No. 7 of February 11, 2005.

<sup>6</sup> Cabinet Decree No. 252, Labor Code (December 30, 1971) and Law No. 44 of August 12, 1995, as amended.

<sup>7</sup> [https://idbinvest.org/sites/default/files/2021-01/Exclusion%20List%20SP\\_A.pdf](https://idbinvest.org/sites/default/files/2021-01/Exclusion%20List%20SP_A.pdf)

ITEM	TASK	ACTIVITY	DELIVERABLE	COMPLETION DATE
1	Strengthen the Environmental and Social Risk Corporate Policy (ESMS) as adapted and applied to Banistmo's transactions	Strengthen de ESMS according to IFC's Performance Standard 1, enhancing its assessment process for projects involving SMEs and large companies (corporate segment) observing IBD Invest's Exclusion List, the local applicable regulations and the Performance Standards, as applicable. In particular, the environmental and social due diligence processes/procedures to identify risks and the impacts of the tourism sector and its subsectors (transportation, services and hotels). The ESMS applied by Banistmo shall improve its forms to guarantee compliance with the local regulations and indicate that for projects with total costs of USD 10 million, Banistmo will require the application of the Performance Standards and the assistance of an independent consultant or the E&S staff of Bancolombia for its review.	Form for large companies and SMEs improved to include assessment of compliance with local regulations that are relevant to the tourism sector <sup>8</sup>	Six months after the guarantee is in force
2	Analysis of the first three guarantee-related transactions for large companies (corporate	Banistmo will submit the first three transactions involving large companies (corporate segment) covered by the guarantee to IBD Invest for feedback and: (i) confirmation of	Environmental and social assessment for the first three transactions	Upon having each transaction

<sup>8</sup> It will include topics from the Exclusion List; local E&S and work permits as well as other relevant authorizations.

	segment) depending on the amount of the guarantee applied to the Policy	the E&S category; (ii) comments on the proposed action plan; and iii) check for compliance with the applicable local regulations.		
3	Enhancement of skills and training	<p>The Bank will train all the business and risk management personnel internally in the terms of the ESMS, including procedures to comply with the local regulations and the IFC's Performance Standards.</p> <p>It shall be assured that all new risk management staff is trained in the content of the ESMS.</p>	Post-training certificate of the risk management personnel, and for every new risk management hire	<p>Six months after the guarantee is in force</p> <p>Every time there is a new hire in risk management. To be included in the annual report</p>

- 6. Contact Information.** For questions on the projects, including E&S issues related to IDB Invest's transactions, please contact the client (see Investment Summary tab) or IDB Invest by e-mail: [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1 (202) 623-3952.