

Environmental and Social Review Summary (“ESRS”) Banco Bolivariano – Subordinated Loan / 12457-02 – Ecuador

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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 desk research, multiple conversations with the E&S team and Finance team, and a review of Bolivariano’s Environmental and Social Management System (“ESMS”). Bolivariano is an existing IDB Invest client and under a previous loan in 2018 upgraded its ESMS to segment the green portfolio and incorporate the IFC Performance Standards. Additionally, the client has recently undertaken a green loan with another DFI lender.

2. Environmental and Social Categorization and Rationale:

The proposed subordinated loan is classified as an FI-2 per IDB Invest’s Sustainability Policy, with a roughly 50% portion dedicated to green corporates and SMEs, and 50% simply to SMEs (not green). SME lending, which averages US\$250K, will focus on financing working capital or capital expenditures across the following sectors and categories: food and beverage, textiles, manufacturing, agribusiness, healthcare, and education. Green lending will include energy efficiency, water savings, cleaner production, and small-scale solar panel projects and installations. Corporate sub-loans are between US\$1–2.5 million. While the green lending component can present higher E&S risk, the client’s recently updated ESMS is capable of managing these risks and the action plan defined (see below) will serve to confirm implementation of good E&S management practices. Bolivariano’s total existing green line portfolio is valued at US\$10.48 million, across its business segments. Sub-loan considered to be Category A per IDB Invest’s definition will be excluded as well as lending to hydro in excess of 5MW.

3. Environmental and Social Risks and Impacts: The E&S risks relate to activities undertaken on larger scale and certain higher risk sectors within the corporate segment. These risks can relate to occupational, health and safety, water, land and air pollution, land conversion, generation of wastes, use of hazardous substances, and transport-related impacts, among others. Given the focus to fund SMEs and corporates, these risks will be moderate in nature.

4. Mitigation Measures: Bolivariano will be required to evaluate, manage and monitor E&S risks through the application of its recently updated ESMS. Bolivariano’s ESMS has recently been updated to include the inclusion of the IFC Performance Standards and their application to certain projects triggered based on size, sector, and tenor (greater than 36M tenor, and 5M project value). The updated ESMS was developed with support from an IDB consultancy and is aligned to the requirements of a recent DFI lender. The ESMS includes categorization guide, several sector checklists depending on risk / sector, and respective roles and responsibilities. Additionally, Bolivariano is soon to apply recently developed sector guides that the Ecuadorian Banking Association has produced for its members. Under this loan, Bolivariano will apply its ESMS, the

IFC Performance Standards to higher risk operations, sector guides as applicable, the IDB Invest Exclusion List, and Local Law. Bolivariano will report annually on the portfolio of operations under the loan and its ESMS.

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

Task	Description	Deliverable	Date
Updated ESMS	Bolivariano will confirm Management / Board’s approval of the updated E&S Policy and ESMS. Updated ESMS will include reference to the adoption and use of the sector-guides developed by ASOBANCA.	Confirmation in the form of minutes / Board resolution.	October 2021
Pilot application of IFC PS	Piloting/testing of IFC PS approach on the bank’s first applicable transaction. Client loan documentation including the results of the Environmental and Social Due Diligence (“ESDD”) to be conducted before the credit decision is made.	Individual ESDD report with action plan	As applicable, and prior to credit committee decision
First two corporate green transactions	Copy of ESDD reports for first two corporate transactions financed for green projects under the financing. The analysis will detail the corporate / project E&S management practices in place and identify any gaps identified with respect to Bolivariano’s ESMS and the stated requirements. If gaps are identified, an action plan will also be defined. Absent gaps, the ESDD will provide evidence of the standards achieved and capacity in place.	Individual ESDD report, and with action plan if applicable	Post credit committee decision
Capacity building	Conduct internal training for commercial team staff (and others as relevant) on the updated ESMS, implementation requirements, and roles and responsibilities.	Evidence of training and number of attendees	6 months after disbursement
Self-assessment of ESMS implementation	Brief summary report on the implementation of the updated ESMS following 6 month pilot period. Report should discuss training given, challenges faced, adjustments requirement, and any planned next steps.	Summary report	6 months after 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 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 or MIICI@iadb.org, or calling +1(202) 623-3952.