

## Environmental and Social Review Summary (“ESRS”) Banesco Banco Múltiple, S.A. – Alliance for Gender, SMEs and Green Financing / 14925-01 – Dominican Republic

**Original language of the document:** Spanish  
**Issuance date:** October 2024

- 1. Scope of Environmental and Social Review:** The Environmental and Social (E&S) assessment of the proposed transaction involved reviewing documentation (policies, plans and procedures) and the lending portfolio of Banesco Banco Múltiple, S.A (“Banesco” or the “Bank”), as well as having conversations with the Bank’s representatives.
- 2. Environmental and Social Categorization, and Rationale:** The proposed transaction has been classified as IF-2 according to IDB Invest’s E&S Sustainability Policy, as the financing will target the Micro, Small, and Medium Enterprises (“MSMEs”) segment and the green portfolio (primarily consisting of sustainable agriculture and solar photovoltaic energy subprojects), which are considered to have moderate E&S risk. Within the MSME segment, a portion of the financing will be directed to women-led MSMEs. Banesco will not finance either category A (high risk) subprojects, as defined by IDB Invest, or those involving activities included in IDB Invest’s exclusion list.

Banesco defines MSMEs as companies with annual sales of up to US\$3 million. The underlying loans in the MSME portfolio amount in average to US\$105,000.00 and have an average tenor of 36 months. The four most representative sectors in this portfolio are: commerce (27.3%), construction (22.4%), financial and insurance activities (19.7%), and information and communications (11.3%). Regarding the green portfolio, the underlying loans refer both to the Small and Medium Enterprise (“SME”) segment and to the corporate segment.

The transaction is deemed aligned with the provisions of the Paris Agreement based on an analysis in line with IDB Group’s Paris Alignment Implementation Approach. Banesco will strengthen its ESMS by developing and integrating a procedure to assess the climate change risk in its portfolio.

- 3. Environmental and Social Risks and Impacts:** The main E&S risks of this transaction are related to Banesco’s ability to assess and manage the risks associated with its financing activities, particularly the green portfolio. These E&S risks may be related to workers’ health and safety, waste generation, hazardous materials management, community health and safety, labor rights, change of use of soil, and climate change, among others. The E&S risk level of the subprojects is considered moderate.
- 4. Mitigation Measures:** Banesco has an Environmental and Social Management System (“ESMS”), which includes a policy, an exclusion list, categorization and assessment of E&S risks, along with procedures to manage and monitor these risks. The ESMS also establishes the necessary roles and responsibilities for its implementation, apart from verifying compliance with local E&S regulations. The Bank has a team that is specialized in managing E&S risks, responsible for leading the implementation of the ESMS.

Banesco’s code of ethics establishes principles such as transparency, equality and non-discrimination, promoting an equitable and safe working environment with clear guidelines for professional conduct and efficient human capital management. It also includes a grievance

mechanism for employees, which may be accessed through various communication channels. In 2024, Banesco endorsed the Women Entrepreneurs Finance Code (“WEFI CODE”), an initiative that seeks to foster financing opportunities for women-led MSMEs. By the end of that year, the Bank had a total of 503 employees, of which 303 were women, representing 60% of the workforce.

The Bank must ensure that all underlying loans of the asset class to be financed by IDB Invest comply with IDB Invest’s exclusion list and applicable national E&S regulations, the ESMS and the IFC’s Performance Standards (“PS”) (as the case may be). In the case of higher-risk subprojects or when the amount and term of the underlying loans equal or exceed US\$5 million and 36 months, respectively, the Bank will apply the IFC’s PS. Furthermore, Banesco’s E&S risk management team must complete an online training course provided by IDB Invest on E&S risk management.

#### 5. Environmental and Social Action Plan (ESAP):

| No. | Activity   | Description  | Compliance indicator          | Delivery date                    |
|-----|--|--|-------------------------------|----------------------------------|
| 1   | ESMS update  | Establish in the ESMS the application of the IFC’s PSs to finance: (i) high-risk projects, and (ii) underlying loans with total amounts and terms of: US\$ ≥ 5 million and ≥ 36 months, respectively.                                  | Updated ESMS                  | 12 months after the disbursement |
| 2   |  | Develop and update procedures and forms related to the application of the IFC’s PSs and incorporate them into the ESMS.  | Approved procedures and forms | 12 months after the disbursement |
| 3   |  | Develop a procedure to assess and manage the climate change risk in the subprojects and incorporate it into the ESMS.  | Approved procedure            | 12 months                        |
| 4   |  | Develop and update procedures and forms to assess and manage the risk of degradation or loss of natural habitats and deforestation in the agricultural portfolio and incorporate it into the ESMS.                                     | Approved procedure            | 12 months                        |
| 5   | Training on updated ESMS   | Provide training sessions to all Bank personnel involved in implementing the ESMS on the incorporation of new criteria, procedures and forms related to the IFC’s PSs.   | Evidence of training          | 12 months after the disbursement |
| 6   | Review of the first three transactions to which the IFC’s PSs apply. | Submit Environmental and Social Due Diligence (“ESDD”) reports of the first three financed subprojects of the green portfolio in which PS are applied, so as to verify: (i) the E&S categorization, and (ii) the proposed action plan. | ESDD reports and action plans | When each sub loan is generated  |
| 7   | Strengthening of labor risk assessment in the supply chain           | Develop and implement a procedure to assess labor risks in the solar panel supply chain in solar energy projects.  | Approved procedure            | 3 months after the disbursement  |

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.