

Environmental and Social Review Summary (“ESRS”)

Banco Agrícola: Loan to Expand Financing with Focus on Impact in El Salvador / 15434-01 – El Salvador

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction consisted of a review of Banco Agrícola, S.A. (“Banco Agrícola” or the “Bank”) Environmental and Social Management System (“ESMS”), its lending portfolio for Small and Medium-Sized Enterprises (“SMEs”), and green loans. Additionally, discussions were held with Bank officials and management representatives. Banco Agrícola is an existing client of IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2, according to IIC’s Environmental and Social Sustainability Policy, as the financing will be directed towards subprojects with moderate E&S risk. IDB Invest’s financing will support the growth of the SME portfolio and the green portfolio of the Bank. Banco Agrícola will not finance category A (high-risk) subprojects, as defined by IDB Invest, nor those involving activities on IDB Invest’s Exclusion List.

Banco Agrícola defines SMEs as enterprises with annual sales of up to US\$7,000,000. The underlying loans in this portfolio have an average amount of US\$66,018 and an average term of 8.3 years. The three most represented sectors in the SME portfolio are: retail (55%), services (22%), and manufacturing (12%).

Regarding the green portfolio, it is mainly concentrated in the corporate segment which is subsequently divided into six categories: (i) renewable energy; (ii) water use efficiency; (iii) energy efficiency; (iv) sustainable construction; (v) e-mobility; and (vi) certified companies. Currently, most of the loans in the existing green portfolio fall under the Certified Companies category (mainly composed of agro-industrial and manufacturing enterprises) and the Renewable Energy category, which primarily consists of photovoltaic energy projects.

The transaction is considered aligned with the Paris Agreement based on an analysis conducted according to the IDB Group’s Paris Alignment Implementation Approach. The analysis considered strengthening the Bank’s ESMS by incorporating procedures to manage physical climate risk in its portfolio.

- 3. Environmental and Social Risks and Impacts.** The E&S risks of this transaction relate to Banco Agrícola’s ability to assess and manage the risks associated with its loan portfolio, especially in renewable energy subprojects. Such risks may include the following environmental issues: worker health and safety, waste generation, changes in the use of the soil, hazardous materials management, community health and safety, and labor rights, among others. The E&S impacts and risks associated with the subprojects are considered to be at a moderate level.
- 4. Mitigation Measures.** Banco Agrícola has an Environmental and Social Management System (“ESMS”) in place, which includes an Exclusion List, a process for categorizing and assessing E&S risks, and criteria for designing E&S action plans. The ESMS incorporates the Performance Standards (“PS”) of the International Finance Corporation (“IFC”), local E&S laws and regulations, and guidelines for managing climate risk. The Bank has an E&S risk analyst and an E&S compliance officer, who are primarily responsible for conducting E&S assessments and monitoring the implementation of action plans in subprojects, as well as the overall administration of the ESMS, with support from Bank employees in other areas. Banco Agrícola has Human Resources policies and a grievance mechanism

for its employees. External communications are received through the Bank's website and recorded in a database to be addressed promptly according to their nature.

Banco Agrícola must ensure that all underlying loans in the asset class financed by IDB Invest comply with local E&S laws, IDB Invest's Exclusion List, IDB Invest's Eligibility Criteria, the current ESMS, and the IFC's PS (when applicable according to the ESMS). The IFC's PS must also be applied, as applicable, to primary suppliers in agro-industrial subprojects. As part of the ESMS implementation, the Bank must document the specific criteria it uses for subprojects classified as category B, as described in Section 5, and develop procedures to strengthen the management of physical climate risks and the risk of natural habitat conversion. Additionally, the Bank's E&S team must complete an online course on E&S risk management offered by IDB Invest.

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

N°	Activity	Description	Compliance Indicator	Delivery Date
1	Update of ESMS	Document the applicable criteria for subprojects classified as category B used for: (i) the involvement of external consultants specialized in relevant E&S topics, with experience in applying the IFC's PS, during Environmental and Social Due Diligence (“ESDD”), in cases involving potentially complex E&S components, such as biodiversity and sensitive social aspects; and (ii) field visits by the Bank's E&S officer, both during the ESDD process and in the supervision stage.	Updated ESMS	Within 3 months after disbursement
2	Climate Risk Management	Develop, document in the ESMS, and implement a procedure to identify and manage physical climate risks in subprojects, where applicable.	Approved Procedure	Within 18 months after disbursement
3	Natural Habitat Conversion Risk Management	Develop, document in the ESMS, and implement a procedure for identifying and managing the risk of natural habitat conversion in agro-industrial subprojects, using satellite monitoring tools.	Approved Procedure	Within 12 months after disbursement
4	Labor Risk Management in the Supply Chain for Solar Energy Subproject	Apply the existing procedure for managing labor risks associated with the supply chain of solar modules in photovoltaic energy subprojects.	Evidence of Implementation	As part of the ESCR ¹
5	Competency Enhancement	The Bank's E&S team must complete the online course ² on environmental and social risk management offered by IDB Invest.	Course Completion Certificates	a) Within 6 months after disbursement; and b) whenever new personnel 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.

¹ ESCR stands for Environmental and Social Compliance Report, which must be regularly submitted to IDB Invest.

² Register in the following link: [Environmental and Social Risk Management: SARAS In Action](#).