

## Environmental and Social Review Summary (“ESRS”) Banco Sol – Social Gender Bond (PCG) / 14388-01 – Bolivia

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- 1. Scope of Environmental and Social Review.** The environmental and social (“E&S”) assessment of the proposed transaction consisted in reviewing the documentation on E&S risk management and the human resources policies of Banco Solidario S.A. Finally, in-person and virtual meetings were held with managers and deputy managers, namely, Sustainability, Finance, Risk and Operations.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-3 under the IIC Sustainability Policy. The potential E&S risk of the subprojects to be supported aimed at Micro and Small Enterprises (“MSEs”) is low.

The average loans of the portfolio stand at US\$6,372 with a tenor of 1 to 8 years. Most of the portfolio is earmarked for micro-enterprises (79%) with the rest of the portfolio aimed at small- and medium-sized enterprises and personal loans. The average loan for personal banking is US\$4,005 with a repayment term of 1 to 4 years, for micro-sized enterprises it stands at US\$5,990 with a repayment term of 3 to 8 years; in the case of small- and medium-sized enterprises the average loan amounts to US\$22,119 with a repayment term of over 8 years. Within the MSE segment, the main sector, by credit destination, is manufacturing (31%), especially textiles, followed by construction (25%), retail (20%), services (9%), real estate (5%) and agribusiness (4%).

Neither Category A (high risk) subprojects as defined by IDB Invest, or those involving activities included in IDB Invest’s Exclusion List will be covered by this financing.

The transaction is deemed as aligned with the provisions of the Paris Agreement on mitigation and adaptation goals, based on the analysis in line with IDB Group’s Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this transaction are associated with Banco Sol’s capacity to identify and manage these risks related to its lending activities. The potential risks associated with the Bank’s main lending activities, loans for industry and construction, include pollution prevention and mitigation.

Banco Sol has 3,630 employees, out of whom 52% are women covering 21% of top management positions. Banco Sol has in place different procedures to protect labor rights and guarantee good work relationships; for example, an internal functional grievance mechanism (“Expresate”), a code of ethics, internal rules for work, hiring and contract drafting, etc. On average, employees stay in their jobs for 7 years. All of the employees are trained in the Code of Ethics and Conduct.

- 4. Mitigation Measures.** Banco Sol has a basic exclusion list, an E&S assessment form and an external grievance mechanism in place. Although the Bank has not prepared an Environmental and Social Management System (“ESMS”) or an Environmental and Social Risk Management System (“ESRMS”), it was the first bank to adopt the UNEP FI’s Principles for Responsible Banking and the Women’s Empowerment Principles (“WEP”).

Additionally, it is the first bank in the Bolivian Financial System to measure its financed carbon footprint (using the Partnership for Carbon Accounting Financials methodology), for the second consecutive year. In 2023, Banco Sol will publish its first Integrated Sustainability Report, CSR

Report 2022, using the format of the Global Reporting Initiative (“GRI”), the Sustainability Accounting Standards Board (“SASB”) and the current regulatory framework.

Banco Sol will need to ensure that all the loans secured by the guarantee meet the provisions in IDB Invest’s Exclusion List, applicable local E&S (labor) regulations, as well as secure the development and implementation of an ESRAS. For the Borrower to better understand IDB Invest’s requirements, the issuer should attend IDB Invest’s online training course on E&S risk management.

5. **Environmental and Social Action Plan (“ESAP”):** N/A.
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](mailto: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](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.