

Environmental and Social Review Summary (“ESRS”) BHD Bank- Subordinated Debt for Women-led SMEs / 14037-01 – Dominican Republic

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed transaction consisted of a documentary review (policies, plans and procedures) and a review of Banco Múltiple BHD, S.A.’s (“BHD” or the “Bank”) loan portfolio, as well as communications with representatives of the Bank. BHD is an existing IDB Invest client with a satisfactory E&S performance.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction was classified as FI-3 under the IIC Environmental and Social Sustainability Policy because the financing will exclusively support the women-led Small and Medium-Sized Enterprise (“SME”) segment, whose subprojects are considered to have a low E&S risk level. BHD will not finance Category A (high risk) subprojects as defined by IDB Invest, nor those involving activities that are on the IDB Invest exclusion list.

BHD defines SMEs as companies with annual sales up to US\$3.5 million. The underlying loans in the women-led SME portfolio currently average US\$15,250.00 and have an average duration of 15 months. At present, the following five sectors account for the majority of loans in the SME portfolio: commerce (59.3%), real estate (9.5%), construction (4.5%), manufacturing (6.1%), and transportation, storage, and communications (4.3%).

The Project is considered to align with the Paris Agreement, based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this transaction relate to BHD’s ability to assess and manage the risks associated with its financing activities. These E&S risks may be related to occupational health and safety; waste generation; hazardous materials management; community health, safety, and security; labor rights; and climate change, among others. The level of E&S risk associated with the subprojects is considered to be low.
- 4. Mitigation Measures.** BHD has implemented an Environmental and Social Management System (“ESMS”) that is aligned with the IDB Invest Environmental and Social Sustainability Policy. BHD’s ESMS incorporates local E&S regulations and the International Finance Corporation (“IFC”) Performance Standards (“PS”), and applies to loans over US\$1 million. BHD verifies that all its loans are compliant with its exclusion list.

The Bank has a dedicated E&S risk management team that is responsible for loan assessments, as well as for monitoring the implementation of subproject action plans. The Bank has implemented human resources policies that are consistent with Performance Standard 2.

The Bank shall ensure that all subloans of the asset class to be financed by IDB Invest comply with the IDB Invest exclusion list, applicable local laws, and the existing ESMS.

- 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. 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.