

**Public Disclosure
Bancop S.A.**

Original language of the document: English

A. Investment Summary Tab

Disclosed Date:	September 21, 2023
Project Name:	Bancop Food Security Financing Partnership
Project Number:	14181-01
Investment Type:	Senior Loan
E&S Category:	FI-2
Projected Board Approval Date:	November 1, 2023
Company name (Borrower):	Bancop S.A.
Sector:	Financial Services
Financing Requested:	Up to US\$20 million
Financing Currency:	US\$
Project Country:	Paraguay
Team Leader:	Cristina Paredes
For inquiries about the Project, contact:	Client Contact name: Humberto Orrego Title: Finance Manager Phone number: +595 21 3255230 email address: humberto.orrego@bancop.com.py

Project Scope and Objective:

The proposed operation consists of a senior unsecured loan to Bancop for an amount of up to US\$20 million, which is expected to be comprised as follows: (i) Tranche I: a Committed tranche consisting of an A Loan of up to US\$10 million to be financed by IDB Invest, (ii) Tranche II: an Uncommitted tranche consisting of an A Loan of up to US\$5 million, to be financed by IDB Invest; and (iii) a B Loan for an approximate amount of US\$5 million to be financed by institutional investors. The operation will have a term of up to five years, with a grace period of up to two years and semi-annual amortization. The funds from the operation will be used to finance small and medium-sized producers in the agricultural and livestock sectors of Paraguay, which will contribute to increasing food production in Paraguay.

B. Environmental and Social Review Tab

ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

- 1. Scope of Environmental and Social Review** The environmental and social review of the proposed transaction was carried out through desk research, conversations with the client, and an extensive review of the client's existing environmental and social management system and policies. The client's policies, including the Environmental and Social Management System (ESMS) updated in 2021, align with the requirements of IDB Invest's Sustainability Policy.
- 2. Environmental and Social Categorization and Rationale** The proposed operation is classified as an FI-2 per IDB Invest's Sustainability Policy. Category A sub-projects, per IDB Invest's definition, will be excluded from the Fund's financing.

The project is considered Paris Agreement aligned based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach and due to the specifics of a technical assistance engagement (TA). Through this TA, Bancop is demonstrating a commitment to begin analyzing its exposure to climate risk, and the client is evaluating means to enhance its ESMS to include a set of procedures for analyzing climate risk in its portfolio and better understanding deforestation risk.

- 3. Environmental and Social Risks and Impacts** The main E&S risks of this projects are associated with FI's capacity to identify and manage the E&S risks associated with its lending activities. Bancop's capacity in this respect is considered high based on previous work with IDB Group and other DFIs (see Mitigation). The environmental, social, health and safety (ESHS) impacts and risks associated with loans to SMEs are likely to be moderate in nature. While the dollar size of sub-project loans are small to medium, the targeted use of proceeds to MSMEs of the productive sectors (agriculture, livestock and agribusiness) alongside the environmental sensitivities of deforestation in Paraguay present more moderate to high potential environmental risks. Bancop's use of satellite monitoring to assess deforestation risk, and prohibit illegal deforestation, adequately mitigates deforestation risk (see Mitigation). In general terms, the ESHS risks and impacts could include, for example: i) habitat conversion and degradation (agriculture, livestock); ii) poor land use (industry, agriculture, livestock), iii) stress/contamination of water resources (agriculture, livestock), iv) waste management (livestock, agriculture), v) use of migratory or informal labor (agriculture, livestock).
- 4. Mitigation Measures** Bancop will be required to ensure that all loans supported comply with IDB Invest's Exclusion List, applicable E&S local laws, Bancop's existing Environmental and Social Management System (ESMS), and for higher risk operations, the IFC Performance Standards. As part of the work under IDB Group's previous loan, Bancop became a member of the Mesa de Finanzas Sostenible, an industry roundtable, and has adopted good-practice guides in the agricultural, cattle and agroindustry sectors. The bank will continue to work within the Mesa, apply these sector guides as part of its policy and ESMS, and undertake satellite monitoring to detect legal and illegal deforestation. Bancop's use of satellite monitoring to assess deforestation risk, and prohibit illegal deforestation, is considered strong. As part of this loan, a technical assistance (TA) package is being developed with the aim to assist Bancop in the execution of food

security analysis and climate risk analysis, and to understand the effect of land use change and physical climate risk on financial performance.

5. Environmental and Social Action Plan

Task	Description
Deforestation risk	Bancop will continue to prohibit illegal deforestation and restrict through the use of proceeds any deforestation of high value conservation areas (HVCA) as defined by internationally recognized conservation areas (e.g. Ramsar) adopted by the Mesa or Paraguayan authorities.
Climate risk management	Through the TA consultancy, Bancop will pilot the enhancement of the ESMS through the development of guidance and procedures to identify and mitigate climate risk, including deforestation, in on-lending to productive sectors, and understand the effects of physical climate risk / land use change on financial performance.

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 MICI@iadb.org, or calling +1(202) 623-3952.