

1. **Overview of Scope of IDB Invest E&S Review** The E&S review of the proposed transaction was carried out through desk research, phone calls with the client, and a portfolio review. HMC has had various loans from Development Finance Institutions. As such, the client is familiar and has implemented a strong Environmental and Social Management System (“ESMS”), has demonstrated capability in applying the IFC Performance Standards, and is considered compliant with IDB Invest’s Sustainability Policy. Use of proceeds is for direct investing in corporate clients for which the risks are considered moderate to high.
2. **E&S Categorization and Rationale** The proposed operation is classified as an FI-2 per IDB Invest’s Sustainability Policy. Sub-investments to Corporates will average US\$2-5 million. Category A sub-projects, per IDB’s definition, will not be permitted.
3. **E&S Risks and Impacts** The E&S risks are likely to be moderate to high. Given the targeted segment, with a focus in manufacturing and industry, the associated risks relate to labor, OHS, and waste management issues. HMC has experience and will be expected to define action plans based on the IFC Performance Standards and to agree a set of activities to bring investee companies into alignment with their ESMS, Policy, and the IFC Performance Standards.
4. **Mitigation Measures** HMC will be required to evaluate, manage and monitor E&S risks through the application of their existing ESMS. HMC’s ESMS includes an overarching policy, basic categorization guide, due diligence check list, legal clauses, and monitoring procedures. As part of their due diligence, HMC defines action plans with companies and monitors performance. HMC will be expected to provide IDB Invest the E&S due diligence reports of the first three investments prior to its commitment and will share subsequently all monitoring reports within its annual monitoring.
5. **E&S Action Plan:**

Item	Area	Description	Deliverable	Date
1	Strengthening of the ESMS	Strengthen the Policy and ESMS with the aim to clarify: (i) the process by which all investee companies go through a systematic review against the requirements of the ESMS and the IFC Performance Standards and findings are presented to the Investment Committee with proposed Action Plan; (ii) situations whereby an external consultant is hired; (iii) as the case maybe incorporating a component on Corporate Governance; and (iv) incorporate action plans, where defined, as a component of the investments as agreed in the transaction documents and contract and receive periodic follow-up.	Updated ESMS Evidence in first three transactions of legal covenants if applicable, and agreed action plans	3 months after disbursement At time of investment
2	Review of the first three operations	Provide the detailed E&S due diligence report of the first three operations prior to investment committee with aim to: (i) confirm the categorization and level of analysis undertaken; and (ii) review the proposed Action Plan.	E&S due diligence report and action plan	At time of investment

3	Capacity Building	Undertake a comprehensive training for investment staff on application of the IFC Performance Standards, their application, and their incorporation in the investment cycle.	Evidence of training	6 months after disbursement or prior to first investment (whichever comes first)
4	Internal and external grievance mechanism	Strengthen the internal grievance mechanism that in accordance with the IFC Performance Standards for purposes of (i) registering internal issues raised, and (ii) external complaints related to investee projects.	Internal and external grievance mechanism Evidence of its communication / function	3 months after disbursement

Contact Information For project inquiries, including E&S 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.