

Environmental and Social Review Summary (“ESRS”)

Banco Agromercantil / 13726-01 – Guatemala

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- 1. Scope of Environmental and Social Review:** The environmental and social (E&S) assessment of the proposed transaction consisted in a review of Banco Agromercantil’s (BAM) E&S Management System (ESMS) as well as its SME loan portfolio and green loan pipeline. Moreover, discussions were held with the upper management and the E&S risk coordinator. The Bank is an existing client of IDB Invest; however, it holds financing lines with other development financial institutions.
- 2. Environmental and Social Categorization and Rationale:** The proposed transaction will support the development of the green loan portfolio (green mobility and construction), and the small and medium-sized enterprise (SME) segment, which have a moderate E&S risk potential. Therefore, as per IDB Invest’s Environmental and Social Sustainability Policy, the transaction has been categorized as FI-2. IDB Invest’s resources shall not be used by BAM to finance any category A subprojects (high risk) based on IDB Invest’s definition or those involving activities in the sectors included in the IDB Invest Exclusion List.

The subloans will break down as follows: 70% will be used for green financing and 30% for SMEs. The green portfolio financing will be mainly focused on two areas: (i) green construction; and (ii) green mobility (electric and hybrid vehicles). They all shall comply with IDB Invest’s criteria for green financing, and green construction projects shall also be LEED- or EDGE-certified. The subloans for green construction projects will amount to US\$3.5 million on average, with a maximum tenor of 15 years, whereas the subloans for green mobility initiatives will be US\$40,000 on average, with a tenor of one to six years.

Financing for SMEs includes subloans of US\$30,000 each on average, with an approximate average tenor of 6.5 years. In BAM’s terms, an SME is a company with annual sales ranging from US\$20,000 to US\$5,000,000.

- 3. Environmental and Social Risks and Impacts:** The E&S risks of this transaction relate to BAM’s ability to assess and manage any risks associated to its investments, especially loans for construction projects. Those risks may include the following environmental issues: workers’ health and safety, waste generation, emission of polluting gases, hazardous materials management, community health, safety and security, etc. The E&S impacts and risks related to the subprojects are moderate.
- 4. Mitigation Measures:** BAM has an ESMS in place that includes an exclusion list, environmental and social categorization, an E&S risk assessment process, and guidelines to design E&S action plans. The ESMS includes the International Finance Corporation’s (IFC) Performance Standards (PSs) as well as the local E&S laws and regulations. BAM employs an E&S risk coordinator, who is responsible for performing the E&S assessments and monitoring the implementation of the action

plans for the subprojects. Moreover, the Bank appoints staff from other areas to assist in these tasks.

BAM shall assure that all subloans in the green and SME portfolios observe IDB Invest’s Exclusion List, the local applicable laws, the existing ESMS and the IFC’s PSs (when applicable). In the event of higher risk subloans or Project costs exceeding US\$10 million and the tenor being over 36 months, BAM shall apply the IFC’s PSs. In order to disseminate IDB Invest’s requirements better, the personnel in charge of managing and monitoring the ESMS should attend IDB Invest’s E&S Risk Management training for financial intermediaries.

5. Environmental and Social Action Plan (ESAP):

Activity	Description	Compliance Indicator	Time Period
ESMS update	The IFC’s PSs will be applied to project financing and corporate loans related to projects with total costs lower than or equal to US\$10 million/36 months	Updated ESMS	3 months after first disbursement
Review of the first two E&S assessments of green construction projects	BAM shall submit the E&S due diligence reports of the first two green construction financing projects to check the following: (i) E&S category; (ii) the risk assessment; and (iii) the proposed action plan.	Due diligence reports and updated action plans	When each subloan is generated

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