

Environmental and Social Review Summary (“ESRS”) Promerica DR Subordinated Debt / 13761-01 – Dominican Republic

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- 1. Scope of Environmental and Social Review:** The environmental and social (E&S) evaluation of the proposed operation was conducted during September 2021, through a documentary review and discussions with the Non-Financial Risk team. The documents reviewed covered policies and procedures for E&S risk assessment and human resource management. Promerica Dominican Republic (DR) is an existing IDB Invest client with a trade finance facility. The Promerica Group has worked with other multilateral and bilateral banks that also require an E&S due diligence review for their operations.
- 2. Environmental and Social Categorization and Rationale:** The proposed transaction is classified as an FI-2 operation under the IDB Invest Environmental and Social Sustainability Policy. The potential E&S risks of the subprojects to be financed are moderate. The underlying loans will be directed entirely to small and medium enterprises (SMEs). Promerica's subloans to SMEs are for an average of USD 300,000 and have an average tenor of three years. Category A subprojects, as defined by IDB Invest, will be excluded.
- 3. Environmental and Social Risks and Impacts:** The project's main E&S risks relate to Promerica DR's ability to identify and manage the E&S risks associated with its lending activities. Potential risks related to its main lending activities include respect for labor rights and pollution prevention and mitigation.

Promerica DR's portfolio primarily comprises loans to commerce (50%), services (25%), construction and infrastructure (10%), and manufacturing (7%). More than 30% of Promerica DR's portfolio is focused on SMEs. Promerica DR has an Exclusion List and an Environmental and Social Management System (ESMS) with detailed forms by sector. The environmental and social risk rating and the depth of the E&S due diligence (DD) is determined by two factors: intrinsic E&S risk and Promerica DR's exposure (relative to its equity). Promerica DR defines three levels of DD: basic, intermediate, and extended. For transactions of less than USD 55,000 (0.25% of equity) and with low or medium intrinsic E&S risk, a basic due diligence is performed, which as per the ESMS does not include any environmental or social assessment. Nevertheless, Promerica DR needs to require a simple assessment of compliance with applicable legal regulations. The due diligence for the intermediate and extended levels consists of an environmental and social risk rating form, a detailed questionnaire, and a sector analysis. Loans with higher E&S risk also require an on-site visit. Promerica DR's E&S policies are reviewed annually.

4. Mitigation Measures:

Promerica shall confirm that all SME loans comply with the IDB Invest Exclusions List, applicable local E&S legislation, and the bank's locally applied Environmental and Social Management System

(ESMS). In the case of higher risk subloans or when project costs exceed USD10 million and the term exceeds 36 months, Promerica DR will apply the IFC Performance Standards.

5. Environmental and Social Action Plan (ESAP):

Item	Task	Activity	Deliverable	Compliance Date
1	Strengthen the ESMS Policy Manual to include loans to SMEs	Supplement the ESMS by: (i) including an evaluation for SME subloans focused on local law and national E&S requirements; (ii) including the IDB Invest Exclusions List; (iii) applying the IFC Performance Standards when project costs exceed USD 10 million, and the term is longer than 36 months; (iv) aligning Promerica DR's ESMS to the latest version of the corporate ESMS.	Strengthened ESMS	6 months after the first disbursement
2	Evaluation of the first three SME transactions with a moderate-to-high E&S risk	Promerica DR will send the first three transactions classified as having a moderate and/or high inherent E&S risk for review and comment by IDB Invest, in order to: (i) confirm the E&S categorization and (ii) evaluate the proposed action plan.	Pilot project due diligence report	Upon performing each of the transactions
3	Capacity building and training	The Bank will train all non-financial risk, credit, and E&S risk staff in the implementation of the ESMS as per the IDB Invest Exclusions List, local regulations, and the Performance Standards, where applicable. It will ensure that all new staff involved in risk assessment and/or ESMS implementation receive training	Certificate of training of personnel in charge of ESMS implementation, and each time new personnel are hired	6 months after the first disbursement. And every time new personnel are incorporated into risk management

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