

Environmental and Social Review Summary (“ESRS”)

Banco Continental Green Financing Partnership / 14162-01 – Paraguay

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction was carried out through desk research, conversations with Banco Continental, 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 IIC’s Sustainability Policy.
- 2. Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 per IIC’s Sustainability Policy. Sub-Investments to be supported will be primarily in the productive sector (agriculture, livestock, and agroindustry), and will average between US\$500 thousand. Category A sub-projects, per IDB Invest’s definition, will be excluded from the Fund’s financing.
- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this project is associated with FI’s capacity to identify and manage the E&S risks associated with its lending activities. Banco Continental’s capacity in this respect is considered high based on previous work with IDB Group and other Development Finance Institutions (“DFIs”) (see Mitigation). The Environmental Social Health and Safety (“ESHS”) impacts and risks associated with loans to SMEs and Corporates are likely to be moderate in nature.

While the dollar size of sub-project loans are small to medium, the portfolio concentration in agriculture (14.5%), industry (14.2%) and livestock (8.7%), alongside the environmental sensitivities of deforestation in Paraguay present more moderate to high potential environmental risks. Banco Continental’s use of satellite monitoring to assess deforestation risk 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, and livestock); (iii) stress/contamination of water resources (agriculture, livestock); (iv) waste management (livestock, agriculture); and (v) use of migratory or informal labor (agriculture, livestock).

- 4. Mitigation Measures.** Banco Continental will be required to ensure that all loans supported comply with IDB Invest’s Exclusion List, applicable E&S local laws, Banco Continental’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, Banco Continental was a lead bank in the creation of the *Mesa de Finanzas Sostenibles*, an industry roundtable, the development of a good-practice guide in the agroindustry sector and is working to incorporate new tools on climate risk analysis. Banco Continental will continue to work within the *Mesa de Finanzas Sostenibles*, apply

these sector guides as part of its policy and ESMS, and undertake satellite monitoring to detect illegal deforestation.

As part of this loan, a Technical Assistance (“TA”) package is being developed with the aim to assist Banco Continental in the execution of this Green Lending Program. This TA would complement another DFIs’ work to assist Banco Continental in developing a climate risk management screening tool. Banco Continental’s management of E&S risk is considered a leading example, for which no action plan is required.

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.