

Environmental and Social Review Summary (“ESRS”)

Banistmo, S.A. – Panama: Sustainable Bond to Boost Social and Green Investments in Panama / 14893-01

Original language of the document: English

Issuance date: July 2025

- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed transaction consisted of reviewing documentation and holding discussions with Banistmo S.A. (“Banistmo”, the “Bank”, or the “Issuer”) Sustainability Management, Risk Vice Presidency, and International Banking Management. The Bank is an existing IDB Invest client since 2015, with satisfactory performance.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as IF-2 under IIC’s Environmental and Social Sustainability Policy. The bond issuance is intended to finance social and green projects in the Retail, Small and Medium-Sized Enterprises (“SMEs”), and Large Enterprises (Corporate) segments, which carry a moderate potential risk. That is, the issuance includes or is expected to include activities with possible adverse E&S impacts or risks that are limited, relatively few, generally site-specific, mostly reversible, and manageable through mitigation measures. The issuance supported by IDB Invest funds will be directed toward the Corporate SME and Retail segments, which include four main sectors: energy efficiency, renewable energy, mobility, and circular economy.

Banistmo defines its SME segments as follows: Micro SME annual revenue up to US\$149,999; Small SME annual revenue between US\$150,000 and US\$999,999; Medium SME (Metro and Interior) annual revenue between US\$1 million and US\$2.49 million; Large SME Metro annual revenue between US\$2.5 million and US\$10 million; Large SME Interior annual revenue equal to or greater than US\$2.5 million, with no upper limit. Additionally, Business (Corporate) and Government Enterprises are defined as legal entities with annual revenue equal to or greater than US\$10 million.

The average loans for the Business (Corporate), and Government portfolio are approximately US\$1.3 million, with tenor from three to six years. In the SME segment, loan amounts are from US\$85,000 to US\$394,000, with tenor varying between one and nine years, depending on the Bank’s classification within the segment. As for the financed sectors, the most prominent are commerce (29.6%), construction (25.2%), services (8.2%), energy (6.6%), and agribusiness (5.9%), among others.

As a requirement for the issuance, eligibility criteria and the bond framework will be applied. Transactions included in the issuance will be classified as having moderate or low E&S risk according to IDB Invest’s definition and exclusion list.

The transaction is considered aligned with the Paris Agreement based on an analysis conducted in accordance with the IDB Group’s Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of the issuance are associated with Banistmo’s ability to identify and manage the E&S risks related to its financing activities. The primary risks associated with the projects included in the issuance relate to waste and wastewater generation, occupational health and safety of workers, community health and safety, labor rights, among others.

The Bank has an Environmental, Social, and Governance (“ESG”) Risk Management System Policy from the Bancolombia Group, approved in March 2025, and Banistmo also has an Environmental,

Social, and Climate Risk Management System for Credit Risk. Banistmo is responsible for ensuring that its internal policies comply with the Corporate Policy and local regulatory requirements. Both the Corporate Policy and Banistmo's Management System include the application of the International Finance Corporation ("IFC") Performance Standards ("PS") for projects with total capital costs greater than US\$10 million or between US\$500,000 and US\$2 million in high-risk or sensitive sectors such as: mining, energy, tanneries, cement, oil and gas, steel, chemicals and agrochemicals, African palm, basic sanitation, and food products, among others. Through an internal system, Banistmo conducts an evaluation following local regulations and the PS. The analysis is detailed and includes observations based on compliance with national regulations; however, it is brief and general in the assessment against Performance Standards. Since 2024, Banistmo has an Environmental and Social Officer with solid experience in applying local legislation.

The Bank applies Bancolombia Group's Code of Ethics and Conduct, which was developed with input from Banistmo's employees, thus it reflects Banistmo's cultural traits. In this regard, it has an Ethics Committee that implements an internal and external grievance mechanism (including the option for anonymity), which can escalate issues, if necessary, to the Corporate Ethics Committee. The mechanism includes contact via an ethics hotline, WhatsApp, online chat, and physical presence at branches. Banistmo also has a Business Continuity Manual that includes Crisis Management sections and a Reputational Risk Mapping that identifies specific risks for Banistmo, including environmental and social aspects.

Banistmo in particular, and the Bancolombia Group in general, have adhered to the Equator Principles, are part of the United Nations Global Compact, the United Nations Environment Programme Finance Initiative ("UNEP-FI"), and the Dow Jones Sustainability Index. Banistmo and the Bancolombia Group have a Sustainability Strategy. The Bancolombia Group annually publishes a Management Report that integrates financial topics and progress on environmental and social issues as a group.

- 4. Mitigation Measures.** The Bank must evaluate, manage, and monitor environmental and social risks by strengthening its Environmental, Social, and Climate Risk Management System ("ESMS") applied to Banistmo's operations, in accordance with the guidelines of IFC PS¹, in order to fully apply the PS when applicable.²

Transactions that are part of the issuance must be evaluated through the ESMS, if applicable, and ensure compliance with relevant local regulations in Panama and the PS when applicable.

The financing provided by Banistmo under the issuance must comply with the IDB Invest Exclusion List,³ the issuance framework, applicable local and national E&S legislation, and the IFC PS. To better understand IDB Invest's requirements, Banistmo staff responsible for managing and monitoring the Corporate Policy and Banistmo's Management System must complete the free virtual training "ESMS in Practice" and attend the IDB Invest Environmental and Social Risk Management training workshop for financial intermediaries.

¹ Interpretive Note for Financial Intermediaries https://www.ifc.org/publications/publications_policy_interpretationnote-fi.

² Projects with a total cost equal to or greater than US\$10 million or in sensitive sectors.

³ https://idbinvest.org/sites/default/files/2021-01/Exclusion%20List%20SP_A.pdf.

5. Environmental and Social Action Plan (“ESAP”):

Item	Task	Activity	Deliverable	Compliance date
PS 1: Assessment and Management of E&S Risks and Impacts				
E&S Assessment and Management System				
1	Continuous improvement of the ESMS	1. Include E&S contractual clauses for corporate green portfolio projects where the IFC PS are applied; and 2. As part of the annual monitoring report, the Bank will identify areas for improvement in Banistmo’s Risk Management System and its forms, especially those related to the application of the PS, in order to strengthen it	1. Revised contractual clauses; and 2. Report on areas for improvement and a strengthened ESMS	1. Six months after the issuance; and 2. Annually as part of the Annual E&S Compliance Report
2	External support in the implementation of the PS for the green portfolio, both for due diligence and monitoring	Assistance from specialized personnel (external consultant or support from the Bancolombia Group) in identifying E&S risks for large enterprise green projects where the PS are triggered	Due Diligence Report for each transaction	To be prepared once each transaction is available
3	Assessment of the first three transactions within the green portfolio of Large Enterprises (corporate) with medium or medium-high E&S risk	The Bank will submit the first three transactions categorized as having medium or medium-high E&S risk within the green portfolio for review and feedback from IDB Invest, in order to: (i) confirm the E&S categorization; and (ii) assess the proposed action plan (if one exists).	E& Due Diligence Report for the three transactions	To be prepared once each transaction is available
4	Strengthen the assessment of labor risks in the supply chain of solar energy subprojects	Develop and implement a procedure to assess labor risks in the supply chain of solar panels used in solar energy subprojects	Approved procedure	Six months after the issuance
Organizational Capacity and Competency				
5	Capacity building and training	Credit and business staff directly involved with the Bank’s ESRM system and green portfolio must complete the online course on E&S risk management offered by IDB Invest	“ESMS in Practice” ⁴ training certificate–extended track	To be completed 12 months after the issuance, and each time new personnel are added to the risk management team

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.

⁴ <https://cursos.iadb.org/es/temas/gestion-riesgo-ambiental-y-social/gestion-riesgos-ambientales-sociales-saras-accion>. First English edition scheduled to start on September 15, 2025; and fourth Spanish edition scheduled for February 2026.