

Environmental and Social Review Summary (“ESRS”)

Promerica DR – Senior and Subordinated Loan for Climate and SMEs Financing in Dominican Republic / 14955-01

Original language of the document: English

Issuance date: July 2025

- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) Review of the proposed operation was conducted during the first half of 2025 through documentation reviews and discussions with the Vice Presidencies of Non-Financial Risk, Credit and Control—including E&S risk management—, as well as the sustainability area and Human Resources. Among the documents reviewed were policies and procedures related to E&S risk assessment, alongside human resources management. Banco Múltiple Promerica República Dominicana, S.A. (“Promerica DR” or the “Bank”) is an existing client of IDB Invest, which maintains a relationship with Promerica Financial Corporation (“PFC” or “Promerica Financial Group”) across seven of the nine countries in which it operates.

- 2. Environmental and Social Categorization and Rationale.** The proposed transaction has been categorized as FI-2 in accordance with the IIC Environmental and Social Sustainability Policy. The potential E&S risks associated with the subprojects in this transaction are deemed to be moderate.

The potential underlying loans will target Small and Medium Enterprises (“SMEs”), Women-Led SMEs (“WSMEs”), and the Bank’s green portfolio, which encompasses corporate financing in sectors such as sustainable agriculture and construction (subject to eligible certifications), energy efficiency (with a minimum savings of 20%), renewable energy (adhering to eligibility criteria), and clean transportation (electric mobility). The Bank’s taxonomy is currently being revised to align with the Dominican Republic’s green taxonomy, which was adopted by the end of 2024.

The Bank’s portfolio is predominantly composed of the corporate or large company segment, which constitutes 43% of the total. This segment includes companies with annual sales exceeding US\$5 million and an average loan amount of approximately US\$366 thousand. The second most significant segment is personal banking, accounting for 33% of the portfolio, with average loans amounting to US\$16 thousand. This is followed by the SME segment, which represents 18% and comprises companies with annual sales ranging from US\$1.7 million to US\$3.4 million, with an average loan of US\$160 thousand. The smallest share belongs to the microenterprise segment, which constitutes 6% of the portfolio, with average loans of US\$25 thousand.

In general, the loans granted by the Bank have an average term ranging from three to eight years. The economic sectors with the largest share of the portfolio are: services (46%), commerce (16%), construction (11%), electricity supply (8%), and other sectors with less share, such as agriculture, which accounts for less than 1%.

This transaction will exclude subprojects classified as Category A, which are deemed high risk, as defined by IDB Invest. Furthermore, the transaction will be subject to both the IDB Invest Exclusion List and the Green Portfolio Eligibility List.

The transaction is considered aligned with the mitigation and adaptation goals of the Paris Agreement based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The primary E&S risks associated with the transaction pertain to Promerica DR’s capacity to adequately identify and manage risks arising from its lending activities, particularly those linked to corporate projects within the green

portfolio. Potential risks related to its principal lines of financing include occupational health and safety, waste generation, land use change, hazardous materials management, community health and safety, and labor rights, among others.

The E&S impacts and risks associated with the SME and green portfolios are regarded as moderate. A review of the Bank's human resources policies confirms their alignment with the provisions outlined in Performance Standard 2.

Since 2021, the Promerica Group has committed to the Principles for Responsible Banking and has developed a sustainability strategy by appointing country leaders for its implementation. This initiative has led to the establishment of local sustainability committees that report quarterly to the Board of Directors. At the country level, the Sustainability Committee reports directly to the Executive Presidency and is composed of the country sustainability leader, the Vice Presidency of Business, the Vice Presidency of Finance, the Vice Presidency of Risk, the Vice Presidency of Human Resources, the Vice Presidency of Market and Products, and the Social Investment and Corporate Responsibility area. The sustainability strategy of the Promerica Group is structured around four pillars: sustainable business, social investment, leading by example, and impact measurement.

- 4. Mitigation Measures.** Promerica DR has adopted and tailored the Promerica Group's International Subsidiary Policies, which encompass the Sustainability Strategy, the Environmental and Social Risk Management Policy (February, 2023), and the Environmental and Social Risk Management Procedure (April, 2024)—collectively referred to as ARAS 3.0 at the Promerica Group level. The Bank maintains a Code of Ethics and Conduct that includes a transparency line for receiving employee complaints. Additionally, the Bank's website features an external complaints and suggestions process.

Currently, the Bank does not employ an E&S specialist; instead, the functions of the Environmental and Social Management System ("ESMS") are distributed among the business and credit teams, depending on the macro activity within the business cycle. Bank personnel tasked with managing and monitoring ESMS and general risk assessment must receive specialized support to facilitate due diligence and monitoring for those green portfolio projects that require applying the International Finance Corporation ("IFC") Performance Standards.

The Bank must ensure that all SME and green portfolio loans comply with the IDB Invest Exclusion List, applicable local E&S legislation, the Eligibility List, and the Bank's locally applied ESMS Management Policy Manual.

In cases where solar energy projects are involved and there is a direct relationship with the panel's supplier, the Bank will conduct a forced labor risk assessment within the solar panels' supply chain. For higher-risk sub-loans, or when project costs exceed US\$10 million and the term is greater than 36 months, the Bank will implement the IFC Performance Standards and seek the support of an external consultant or the Promerica Group for both due diligence and monitoring of the Loan.

As part of the continuous improvement of the ESMS, the Bank is required to incorporate into ARAS 3.0 a procedure for monitoring the E&S performance of loans within the green portfolio, specifying the responsible parties. Furthermore, the Bank must establish E&S contractual clauses applicable to corporate green loans where performance standards apply.

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

Item	Task	Activity	Deliverable	Compliance date
Performance Standard 1: Assessment and Management of E&S Risks and Impacts				
E&S Assessment and Management System				
1	Continuous Improvement of ARAS 3.0	1. Include E&S contractual clauses for corporate green portfolio projects where IFC Performance Standards apply; and 2. As part of the annual monitoring report, the Bank will identify areas for improvement in ARAS 3.0 as well as methods to enhance it.	1. Revised contractual clauses; and 2. A report detailing areas for improvement and a strengthened ARAS 3.0.	1. Three months after the first disbursement or prior to the first disbursement of this type of credit; and 2. Annually, as part of the Annual Monitoring Report.
2	External support in the application of Green Portfolio Performance Standards for both due diligence and monitoring	Engagement of specialized personnel (either an external consultant or representatives from the Promerica Group) to assist in the identification of E&S risks for large green corporate projects where Performance Standards are activated.	Due Diligence Report for each transaction.	Upon completion of each transaction.
3	Assessment of the first three transactions within the green segment with medium E&S risk	The Bank will submit the first three transactions categorized as having medium E&S risk within the green portfolio for review and feedback by IDB Invest, in order to: (i) confirm E&S categorization; and (ii) evaluate the proposed action plan (if applicable).	E&S Due Diligence Report for the three transactions.	Upon completion of each transaction.
4	Strengthening labor risk assessment in the supply chain of solar energy subprojects	Develop and implement a procedure to assess labor risks in the supply chain of solar panels for solar energy subprojects.	Approved procedure.	Six months after the disbursement.
Organizational Capacity and Competency				
5	Capacity building and training.	Credit and business personnel directly involved with ESMS and the Bank’s green portfolio must complete the online course on E&S risk management, offered by IDB Invest.	“ESMS in Action” ¹ training certificate, extended path.	Twelve months after the disbursement, and each time new personnel are incorporated into risk management.

¹ <https://cursos.iadb.org/es/temas/gestion-riesgo-ambiental-y-social/gestion-riesgos-ambientales-sociales-saras-accion> (third edition scheduled to commence on July 7th).

- 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.