

Environmental and Social Review Summary (“ESRS”)

Banco W: Financing / 14969-01 – Colombia

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction was conducted through documentation research, a portfolio review, and due diligence calls with the client Banco W S.A. (“Banco W” or the “Bank”). Banco W is an existing client of IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed issuance of the social bond receives an FI-3 classification according to IIC's Sustainability Policy. The sub-loans to the segments of the social portfolio that will receive support have a low potential risk, meaning that the sub-loans granted by Banco W include or are expected to include activities with minimal potential adverse environmental and social impacts or risks. The sub-loans will finance projects focused on social impact that meet the eligibility criteria established in the social bond framework.

The proposed issuance aims to support the social portfolio of Banco W, specifically microenterprises in Colombia, including the Amazon region. Banco W defines a microenterprise as a natural person with an economic activity that generates income between US\$259,600 and US\$493,233 (COP1,108,992,595-COP2,107,052,985). As of September 2024, Banco W's microcredit portfolio represents 80% of the total portfolio and is composed of the following sectors: commerce (51%), services (27%), industry (10%), and agriculture and construction (3% each). The sub-loans to be financed have an average size of US\$1,469,000 (COP6,392,282) and an average term of three years.

Subprojects classified as Category A, high risk, according to IDB Invest's definition, and those involving activities listed in BID Invest's Exclusion List will be excluded from this issuance.

This issuance is considered aligned with the mitigation and adaptation goals of the Paris Agreement, based on the analysis conducted following the IDB Group's Paris Alignment Implementation Approach. Banco W will include measures for identifying and mitigating land-use change risks in its Environmental and Social Management System (“ESMS”).

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this issuance are related to Banco W's ability to identify and manage the risks associated with its lending activities. Potential risks related to the Banco W's primary lending activities include the proper use of resources (water, energy, materials), land-use change, emissions generation, waste generation, child labor, and legal non-compliance.
- 4. Mitigation Measures.** Banco W has an exclusion list, an environmental policy, a sustainability policy, and an ESMS in a pilot phase. Additionally, Banco W is implementing the Task Force on Climate-related Financial Disclosures (“TCFD”). Banco W will produce annual Sustainability Reports and has adhered to the Green Protocol since 2017.

Banco W must ensure that all sub-loans financed through the Social Bond comply with the provisions of IDB Invest's Exclusion List, local laws applicable to E&S matters, including their verification in its ESMS, and that the staff assigned to E&S risk management complete the IDB Invest online training course on Environmental and Social Risk Management, ESMS in Action, extended pathway.

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

Activity	Description	Compliance Indicator	Delivery Date
Strengthen the ESMS.	Strengthen ESMS to: (i) implement the current IDB Invest exclusion list; ¹ (ii) follow the interpretive guidance of the IFC for financial intermediaries; ² (iii) enhance forms and procedures to comply with local regulations and apply to Banco W's portfolio; and (iv) analyze and mitigate land-use change risks.	Strengthened ESMS	Six (6) months after the issuance.
Evaluation of the first three transactions in the agribusiness sector in the Amazon region.	Banco W will send the first three transactions for review and comments from IDB Invest, in order to: (i) verify the application of ESMS in identifying and mitigating risks; and (ii) assess compliance with local regulations.	Due Diligence Report	When the report for each transaction is available.
Capacity building and training.	1. Train the staff of the Sustainability Department, Operational Risk Department, and Financial Risk Management in the development and implementation of ESMS. 2. The Banco W will train all risk and credit staff in the implementation of ESMS. Ensure that all new staff responsible for risk assessment and/or application of ESMS receive training.	1. Training badge for the extended pathway of the ESMS in Action course. ³ 2. List of trained personnel, training materials. Whenever new staff is hired.	1. Six (6) months after the issuance and whenever new staff is added to risk management. 2. Eight (8) months after the issuance and whenever new staff is added to 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 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.

¹ https://idbinvest.org/sites/default/files/2022-11/Exclusion%20List%20SP_A.pdf.

² <https://www.ifc.org/en/insights-reports/2012/publications-policy-interpretationnote-fi>.

³ Registration available at: <https://cursos.iadb.org/es/temas/gestion-riesgo-ambiental-y-social/gestion-riesgos-ambientales-sociales-saras-accion> (second version available from January 2025).