

## Environmental and Social Review Summary (“ESRS”)

### Banco Industrial GT: Senior Sustainable Loan to Boost Productive Portfolio in Guatemala / 15488-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed transaction included a review of Banco Industrial’s Environmental and Social Management System (“ESMS”), human resources policies and procedures, and information on Banco Industrial, S.A. (“Industrial GT”, “Banco Industrial” or the “Bank”) loan portfolio. It also involved discussions with the Bank’s officers and management. Banco Industrial is an existing IDB Invest client.
- 2. Environmental and Social Categorization and Rationale.** The transaction is classified as FI-2 under IIC’s Environmental and Social Sustainability Policy, as it will finance sub-projects with moderate E&S risk. The underlying loans will support the growth of BI’s sustainable portfolio and financing for Micro, Small, and Medium-Sized Enterprises (“MSMEs”), including women-led MSMEs. The Bank will not finance Category A (high-risk) sub-projects or any activities listed on IDB Invest’s exclusion list.

The sustainable portfolio is primarily focused on the corporate segment and includes categories such as: (i) Energy Efficiency and Renewable Energy;<sup>1</sup> (ii) Sustainable Construction; (iii) Sustainable Infrastructure; and (iv) Pollution Prevention and Control. For MSMEs, Banco Industrial classifies companies based on loan size: Microenterprises: loans up to GTQ300,000 (≈US\$38,927), Small and Medium-Sized Enterprises (“SMEs”): GTQ300,001 to GTQ20,000,000 (≈US\$38,927 to US\$2,595,627 at the current exchange rate). The average loan amount is US\$50,000 with an average term of five years. As of June 2025, the top four sectors in the MSME portfolio are: Services (40.1%), Commerce (28.6%), Manufacturing (25.5%), and Agribusiness (5.9%).

The transaction is considered aligned with the Paris Agreement, based on an analysis conducted under the IDB Group’s Paris Alignment Implementation Approach. The analysis considered the development of procedures, based on inputs from IDB Invest’s technical assistance, to be integrated into Banco Industrial’s ESMS to strengthen the management of physical climate risk in its portfolio.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks relate to the Bank’s capacity to identify and manage risks associated with its financing activities, particularly in the sustainable portfolio. These risks may include worker health and safety, waste generation, land use change, hazardous materials handling, community health and safety, and labor rights. Overall, the associated risks and impacts are considered moderate.
- 4. Mitigation Measures.** The Bank has an ESMS that includes an exclusion list, risk categorization and assessment processes, and guidelines for designing and implementing E&S action plans. ESMS incorporates local E&S legislation and, for high-risk operations, applies the International Finance Corporation (“IFC”) Performance Standards (“PS”) and basic checks using public geospatial data to identify physical climate risks. The Bank has a dedicated E&S team consisting of one coordinator and three analysts responsible for evaluations, monitoring action plans, and overall ESMS management, supported by other operational staff. The Bank also has HR policies based on equal opportunity and non-discrimination principles, and an

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<sup>1</sup> Eligible renewable energy projects will include, among others, small hydroelectric plants with an installed capacity of up to 5MW, as well as solar and wind energy projects with an installed capacity of up to 20MW.

employee grievance mechanism. Additionally, it maintains an external communications channel on its website for receiving and managing environmental and social inquiries and complaints.

The Bank must ensure that all underlying loans financed by IDB Invest comply with local E&S laws, IDB Invest's exclusion list and eligibility criteria, the current ESMS, and, where applicable, IFC PS. As part of the E&S action plan described in Section 5, the Bank will implement improvements to strengthen environmental, social, and climate risk management, and its E&S team will complete an online training course provided by IDB Invest.

## 5. Environmental and Social Action Plan ("ESAP"):

N°	Activity	Description	Deliverable	Compliance date
<b>Performance Standard 1: Assessment and Management of E&amp;S Risks and Impacts</b>				
1	Environmental and Social Assessment and Management System	1.1 Establish: (i) the application of the IFC PS for sub-loans with a total amount of US\$5 million or more and a term of 36 months or longer; and (ii) the criteria to determine when the Bank's E&S officer must conduct field visits to Category B sub-projects, both during the Environmental and Social Due Diligence ("ESDD") and during supervision.	a) Updated ESMS	Within 9 months after disbursement
		1.2 Strengthen the E&S risk categorization procedure by incorporating new variables and updated guidelines.	b) Updated E&S risk categorization form	Within 9 months after disbursement
		1.3 Evaluation of the first three transactions that apply the IFC PS in order to: (i) confirm E&S categorization; and (ii) assess the proposed action plan.	c) ESDD report for the first three transactions	As each transaction report becomes available
2	Climate Risk Management	Based on inputs from IDB Invest's technical assistance: develop, document in the ESMS, and implement a procedure to identify and manage physical climate risks in sub-projects.	a) Approved procedure	Within 18 months after disbursement
			b) Evidence of Implementation	As part of the ESMR <sup>2</sup>
3	Natural Habitat Conversion Risk Management	Develop and implement a procedure to identify and manage the risk of natural habitat conversion in agricultural sub-projects, using satellite monitoring tools.	a) Approved procedure	Within 12 months after disbursement
			b) Evidence of implementation	As part of the ESMR
4	Supply Chain Risk Management	Develop and implement a procedure to assess labor risks in the solar panel supply chain for solar energy sub-projects.	a) Approved procedure	Within 3 months after disbursement
			b) Evidence of implementation	As part of the ESMR
5	Capacity Building	The Bank's Environmental and Social Risk Management team must complete the online course <sup>3</sup> on E&S risk management offered by IDB Invest.	Course completion certificates	(i) Within 12 months after disbursement; and (ii) Each time new staff join the E&S 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](mailto:divulgacionpublica@iadb.org). As a last resort, affected communities have access to the IDB Invest

<sup>2</sup> ESMR stands for Environmental and Social Monitoring Report, which must be submitted regularly to IDB Invest.

<sup>3</sup> Available at: <https://cursos.iadb.org/gestion-riesgo-ambiental-y-social/gestion-riesgos-ambientales-sociales-saras-accion>.

Independent Consultation and Investigation Mechanism by writing to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.