

Environmental and Social Review Summary (“ESRS”)

Produbanco: Subordinated Loan to Boost SME and Green Portfolios in Ecuador / 15624-01

Original language of the document: Spanish
Issuance date: September 2025

- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) assessment of the proposed operation was carried out during the third quarter of 2025 through a review of documentation and interviews with the Credit and Collections Vice Presidency — including the E&S risk management team —, the sustainability department, and the Human Resources Department. Policies and procedures related to E&S risk assessment and human resource management were reviewed. Banco de la Producción S.A. Produbanco (“Produbanco” or the “Bank”) is an existing IDB Invest client with satisfactory performance. IDB Invest maintains relationships with Promerica Financial Corporation (hereinafter, “PFC” or the “Promerica Financial Group”) in seven of the nine countries where it operates.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2 in accordance with IIC’s Environmental and Social Sustainability Policy. The potential environmental and social risks of the included sub-projects are considered moderate, meaning that the sub-loans are expected to involve activities with potential adverse environmental and social impacts or risks that are limited in scope, relatively few in number, generally site-specific, mostly reversible, and manageable through mitigation measures.

The underlying loans will be directed toward small and medium-sized enterprises (“SMEs”) and the Bank’s green portfolio, which includes corporate financing in six sectors: green construction (LEED, EDGE certification), renewable energy (solar, wind with installed capacity under 10MW, and hydro under 5MW), electric vehicles, agriculture (4C, IFOAM, RTRS certification), water efficiency, and circular economy.

According to Produbanco’s Green Financing Policy and green taxonomy, financing is considered green if it meets at least one of seven objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water resources, transition to a circular economy, protection and restoration of biodiversity and ecosystems, pollution prevention and control, and land management.

As of the second quarter of 2025, the green portfolio is distributed as follows: agriculture 33%, manufacturing industry 31%, real estate activities 20%, commerce 7%, and construction 4%, among others.

Produbanco’s total portfolio is composed of the following segments: personal 42% (average loans of US\$5,000), corporate and business banking 48% (average loan of US\$230,000), 10% small and medium enterprises (SMEs with average loans of US\$37,000), these three segments with an average credit term between three and eight years; and the microenterprise segment less than 1% (average loan of US\$1,000 and term of one to three years). The main sectors of the portfolio include: manufacturing 28%, commerce 25%, real estate activities 12%, agriculture 9%, mining and quarrying 3%, financial activities 4%, and construction 3%, among others.

This transaction excludes sub-projects classified as Category A, meaning high risk, according to the definition of IDB Invest. The operation will be subject to both the IDB Invest Exclusion List and the Climate and Green Portfolio Eligibility List.

This transaction is considered aligned with the mitigation and adaptation objectives of the Paris Agreement, based on the analysis carried out 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 transaction are related to Produbanco's ability to adequately identify and manage the E&S risks arising from its lending activities, especially in corporate projects within the green portfolio. Potential risks associated with its main financing lines include occupational health and safety, waste generation, land use change, hazardous materials management, community health and safety, labor rights, among others.
4. **Mitigation Measures.** Produbanco has an Environmental and Social Management System ("ESMS"), whose manual, updated in February 2023, establishes a categorization based on exposure and intrinsic E&S risk. According to this categorization, four levels of due diligence are defined: basic, medium, expanded, and expert (International Finance Corporation), the latter including questionnaires aligned with the Performance Standards and field visits. In 2024, the MIS ESMS (Management Information System) was implemented, allowing for more efficient management of the E&S risk portfolio, integrated with the Bank's digital processes. Additionally, Produbanco has an E&S Risk Policy in the credit process (approved in 2022), which includes an exclusion list, applicable standards, local legislation, and the application of ESMS.

Produbanco's E&S team consists of five trained professionals, including specialists in climate risk. In 2024, the role of the E&S Risk Coordinator was expanded to explicitly include climate risk assessment. The E&S risk team reports to the Vice Presidency of Credit and Collections. The Bank has an "Internal Communication Mechanism for Complaints, Grievances, and Unusual Situations" as part of its Procedures Manual, with the latest version dated August 18, 2025. Anonymous complaints can be submitted through an intranet site. The Bank also has a complaints and suggestions line where feedback can be received¹ from stakeholders identified in its Sustainability Report.

Produbanco publishes an annual sustainability report following the GRI (Global Reporting Initiative) standard, in which it states its alignment with international standards such as the Principles for Responsible Banking, the Net Zero Banking Alliance ("NZBA"), and the principles of Certified B Corporations. Its strategic sustainability framework is based on four pillars with key performance indicators (KPIs): increasing profitability, delivering memorable experiences, fostering an agile and collaborative culture, and strengthening its leadership in sustainability in the country. Additionally, it developed a green taxonomy in collaboration with GreenLab and the EcoBusiness Fund.

Since 2021, PFC has been a signatory of the Principles for Responsible Banking and has been developing a sustainability strategy, appointing country-level leaders to implement this strategy and establishing local sustainability committees that report quarterly to the Board of Directors. PFC's sustainability strategy is built around four pillars: sustainable business, social investment, leading by example, and impact measurement.

Produbanco must continue strengthening its ESMS as part of the continuous improvement process during its implementation. The due diligence assessments of green or climate-related corporate projects, through the implementation of ESMS, will include the analysis and management of climate risk and land use change, as is currently being done. The Bank personnel responsible for implementing ESMS and for overall risk assessment will receive training in its application.

In order to ensure that the staff responsible for overseeing and implementing ESMS are well informed about IDB Invest's requirements, they must attend IDB Invest's Environmental and Social Risk Management training workshop for financial intermediaries.

¹ <https://channel.globalsuitesolutions.com/prd>.

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

Item	Task	Activity	Compliance Indicator	Delivery Date
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts				
E&S Assessment and Management System				
1	Climate risk management	<ol style="list-style-type: none"> 1. Procedure for the identification and management of climate risk integrated into ESMS 2. Report its implementation annually 	<ol style="list-style-type: none"> 1. Consolidated procedure for the identification and management of climate risks as part of ESMS 2. Annual Report 	<ol style="list-style-type: none"> 1. 18 months after the first Disbursement 2. As part of the annual environmental and social monitoring and compliance report

- 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.