

Environmental and Social Review Summary (“ESRS”)

Santander Argentina: Guarantee Program to Boost SME Financing in Argentina / 15697-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction consisted of an analysis of the relevant processes, policies, and procedures of Banco CMF S.A. (“Banco CMF” or the “Bank”), as well as its loan portfolio to Small and Medium-Sized Enterprises (“SMEs”). In addition, discussions were held with Bank officers and management.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as IF-2, according to IIC's Environmental and Social Sustainability Policy, given that the financing will be allocated to subprojects within the SME segment that present low to moderate E&S risk levels. Banco CMF will not finance subprojects classified as Category A (high risk) by IDB Invest, nor those involving activities on IDB Invest's exclusion list.

Banco CMF classifies companies with annual sales of up to approximately US\$45 million as SME. SME sub-loans have an average amount of approximately US\$250,000 with an average term of 12 months. The five sectors with the largest share of the SME portfolio are: Commerce (33%), Manufacturing (32%), Financial Services (11%), Agriculture (6.5%), and Professional Services (5%).

The transaction is considered aligned with the Paris Agreement, based on an analysis conducted by IDB Invest 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 relate to Banco CMF's ability to identify and manage the risks associated with its financing activities in the SME portfolio, primarily in subprojects within the manufacturing and agricultural sectors. These E&S risks may include those related to worker health and safety, wastewater and solid waste generation, emissions of pollutants, land-use change, community health and safety, and labor rights, among others. The E&S impacts and risks associated with the subprojects are low to moderate.
- 4. Mitigation Measures.** CMF has an Environmental and Social Management System (“ESMS”) that is an integral part of its lending process. Its application to the financed asset class, in this case, the SME portfolio, is considered appropriate and proportionate to the level of E&S risk associated with the subprojects that comprise it. The Bank's ESMS establishes procedures for applying an exclusion list, verifying compliance with applicable environmental and social legislation, assessing and categorizing E&S risks, and a process for monitoring and reporting on financed operations annually. The implementation of the ESMS is the responsibility of the Credit Risk Management team and its analysts, with the support of a Social and Environmental Risk Coordinator.

In addition, the Bank has Human Resources policies that incorporate principles of equal opportunities and non-discrimination, as well as a complaint mechanism for its staff, which allows them to submit suggestions or complaints anonymously.

Banco CMF must ensure that all subprojects within the asset class financed by IDB Invest comply with IDB Invest's exclusion list, applicable local E&S laws, and the current ESMS. Furthermore, the staff

responsible for E&S risk management must complete an online training¹ course on E&S risk management provided by IDB Invest.

5. **Environmental and Social Action Plan (“ESAP”).** N/A.
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 Online course “Environmental and Social Risk Management: *SARAS en Acción*” ([click here](#)).