

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

### Banpaís Honduras: Senior Financing for SMEs in Honduras / 15949-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction consisted of the analysis of the relevant processes, policies and procedures of Banco del País S.A. (“Banpaís” or the “Bank”), as well as information from its loan portfolio. In addition, conversations were held with officers and members of the Bank’s management. Banpaís is a new client in long-term products for IDB Invest; however, it is part of Bi Capital Corporation, with which IDB Invest maintains financing lines through other financial institutions belonging to this group.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2 in accordance with IDB Invest’s Environmental and Social Sustainability Policy, given that the financing will be allocated to subprojects in the Small and Medium-sized Enterprises (“SME”) portfolio.

Banpaís defines SMEs as those companies that have annual revenues of up to US\$5 million. The loans in the SME portfolio have an average amount of approximately US\$131,000.00 with an average term of 10 years. Currently, the five sectors with the greatest participation in the SME portfolio are: Commerce (30%), Services (21%), Real Estate Activities (20%), Agriculture (11%) and Construction (7%). Banpaís will not finance category A subprojects (high risk), as defined by IDB Invest, nor those involving activities that are on IDB Invest’s exclusion list.

The transaction is considered aligned with the Paris Agreement based on an analysis conducted in accordance with the IDB Group’s Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks and impacts of the transaction are related to Banpaís’s capacity to identify and manage the risks associated with its financing activities, linked to the asset class financed. These E&S risks may be related to worker health and safety, generation of wastewater and solid waste, emission of polluting gases, land use change, community health and safety, labor rights, among others. It is considered that the E&S impacts and risks associated with the subprojects will have a moderate level.
- 4. Mitigation Measures.** Banpaís has an Environmental and Social Management System (“ESMS”) that includes an exclusion list, a categorization and environmental and social risk assessment process, as well as guidelines for the design and implementation of environmental and social action plans. The ESMS incorporates the International Finance Corporation (“IFC”) Performance Standards (“PS”) and applicable local E&S legislation. Additionally, the Bank is in an advanced phase of developing a climate risk management strategy, with the support of an external consultant, which includes, among other aspects, the integration of tools and capacity building, in line with TCFD<sup>1</sup> recommendations. The Bank has three analysts and one coordinator specialized in environmental and social risks, who are primarily responsible for conducting the corresponding assessments and monitoring the implementation of action plans in the subprojects, with the support of other operational areas. Likewise, the Bank has Human Resources policies that incorporate principles of equal opportunity and non-discrimination, as well as a grievance mechanism for its employees.

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<sup>1</sup> TCFD stands for Task Force on Climate-related Financial Disclosures.

Banpaís shall ensure that all subprojects in the asset class financed by IDB Invest comply with applicable local environmental and social legislation, the exclusion list and eligibility criteria of IDB Invest, the current SARAS and the IFC PS, where applicable. As part of the environmental and social Action Plan described in Section 5, the Bank must implement actions to strengthen the management of environmental and social risks. Additionally, the Bank's environmental and social team shall complete an online course on environmental and social risk management offered by IDB Invest.

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

#	Activity	Description	Compliance Indicator	Delivery Date
<b>Performance Standard 1: Assessment and management of environmental and social risks and impacts</b>				
<b>Management Programs</b>				
1	Natural habitat conversion risk management	Document, implement and integrate into the ESMS a procedure for the identification and management of natural habitat conversion risk in agricultural subprojects, including the use of satellite monitoring tools.	i) Approved Procedure; and ii) Evidence of implementation	i) 6 months after the 1 <sup>st</sup> disbursement; and ii) As part of the ESMR <sup>2</sup>
<b>Organizational Capacity and Competence</b>				
2	Capacity building and training	The Bank's E&S risk management team must complete the online <sup>3</sup> course on environmental and social risk management, offered by IDB Invest.	Course completion certificates	i) Within 6 months after the 1 <sup>st</sup> disbursement, and ii) As part of the ESMR, each time new personnel are incorporated into 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 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.

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

<sup>3</sup> Record available at the following link: [SARAS in action](#).