

Environmental and Social Review Summary (“ESRS”) First Citizens Partnership / 11805-03 – Trinidad and Tobago

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- 1. Scope of Environmental and Social Review.** The environmental and social (“E&S”) review of the proposed transaction was carried out remotely, via a desk review, client web-conference calls and a portfolio review. First Citizens (“FC”) is a new client to IDB Invest and is intent on developing an Environmental and Social Management System (“ESMS”) for the operation in question.
- 2. Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 per IDB Invest’s Environmental and Social Sustainability Policy. Investments to be supported will be primarily focused on low to middle income mortgages (up to approximately US\$350,000 in size) and SMEs on-lending (up to approximately US\$1.4 million in total revenue). Sub-projects in upstream oil and gas exploration and Category A sub-projects (per IDB Invest’s definition) will be excluded and FC will not be using the proceeds for on-lending to corporates. The potential environmental and social risks of the sub-projects are considered moderate.
- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this operation are associated with FC’s capacity to identify and manage the E&S risks associated with its lending activities. Environmental, Social Health and Safety (“ESHS”) impacts and risks associated with the commercial and mortgage financing sectors are likely to be minimal to moderate in nature. The portfolio composition for on-lending is distributed across the following key sectors: Housing (mortgages), digitalization, and SMEs. FC will be expected to conduct E&S due diligence, management and monitoring of risk identified in accordance with IDB Invest’s Sustainability Policy, the List of Excluded Activities and Local Law.
- 4. Mitigation Measures.** First Citizens has a Chief Risk Officer and a Group Credit Risk Management (“GCRM”) team that applies the Credit Policy to its lending transactions. As part of its credit review process, FC also performs annual monitoring, (inclusive of site visits, as applicable). FC has a Code of Conduct, Ethics and Financial Affairs Policy which includes guidelines for non-discrimination and anti-harassment and a corporate grievance mechanism (whistleblowing policy and website for anonymous reporting for employees). Fifty-four percent of the management team are women, and FC employs an estimated 1,826 persons (1,298 women and 528 men). FC has a Collective Agreement with the local Recognized Majority Union¹ and complies with local legislation on maternity leave.² First Citizens is exploring with IDB Invest, climate advisory services to launch a sustainable finance strategy.³

¹ Banking, Insurance and General Workers Union (BIGWU) in Trinidad and Tobago.

² Revised Laws of the Republic of Trinidad and Tobago, Maternity Protection Act (Chap 45:57).

³ To include: (i) development of a climate strategy and roadmap, (ii) market studies and taxonomies to develop green/blue lines, (iii) TCFD (Task Force on Climate-Related Financial Disclosures) reporting and, (iv) capacity building.

With the support of IDB Invest, First Citizens is developing a comprehensive sustainable finance strategy that is intent on supporting it to take the necessary steps to develop and launch green lending lines, targeting climate change mitigation and adaptation projects, as well as opportunities within the blue thematic space. A Client Beneficiary Agreement (“CBA”) with the client, to be delivered by an external consultant, details the activities to be developed under this agreement, which will include a market study, portfolio analysis, a roadmap for TCFD alignment, capacity building, and an environmental and social risk management system (“ESMS”) that allows for the analysis, management and monitoring of related environmental and social risks. The ESMS developed (see action plan below) will be aligned to the requirements of IDB Invest’s Sustainability Policy⁴ and executed in phases. It will include the application of IDB Invest’s Exclusion List, applicable E&S local laws and IDB Invest’s E&S Requirements. First Citizens will designate a staff member to oversee and manage the ESMS developed. The ESMS will be applied to the commercial on-lending asset-class at a minimum.

⁴ See the IFC Interpretation Note for FIs for a detailed scope surrounding the development, implementation and operation of the ESMS.

5. ENVIRONMENTAL AND SOCIAL ACTION PLAN (ESAP):

Item No.	Reference	Action Item	Product / Deliverable	Anticipated Completion Date
PS 1: Assessment and Management of Environmental and Social Risks and Impacts				
1.1	Environmental and Social Management System (ESMS)	1. Through the Client Beneficiary Agreement, FC will work with in close coordination with IDB Invest and a designated CBA consultant to develop a corporate-wide ESMS consistent with IDB Invest Requirements and IFC Performance Standard 1, and that is aligned to the wider sustainable finance strategy. The ESMS will apply at a minimum to the SME / commercial asset class.	1. Hire Consultant. 2. Draft ESMS. 3. Final ESMS.	1. TBD. 2. Nine months post disbursement with minimum application to commercial on-lending. 3. No greater than 18 months post disbursement.
		2. As FC develops its on-lending capabilities for E&S due diligence screening, it will share with IDB Invest the first three sub-projects and corresponding due diligence reports.	1. First three E&S DDs for SMEs/Commercial with corresponding action plan.	1. TBD.
1.2	Organizational Capacity and Competency	1. FC will assign a Manager who will obtain the requisite training and will work alongside the Committee, IDB and the consultant as well as other members of First Citizens to develop the ESMS that will oversee all E&S analysis, work closely on First Citizens' sustainable finance strategy with the respective members of First Citizens, and coordinate with additional support staff.	1. Letter of designation.	1. Prior to hiring of consultant.
		2. FC will form a sustainability committee (including for example credit risk, portfolio, and product development, among others) to oversee development and operation of the ESMS, along with the ESMS Manager. The said committee will have overall responsibility for developing FC's E&S risk management.	1. Evidence of establishment of committee.	1. Three months post disbursement (and in line with kick-off of consultancy).
		3. The consultant hired to develop the ESMS will provide training to FC (including senior management, loan officers and credit analysts along with the ESMS manager). The scope of the training will focus on the ESMS, roadmap for implementation, IFC Performance Standards and wider relationship to FC's sustainable finance strategy.	1. Certificates of training completion.	1. TBD (and no later than 18 months post disbursement).

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.