

Environmental and Social Review Summary (“ESRS”)

Sicredi – Green Bond / 11488-04 – Brazil

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- 1. Scope of Environmental and Social Review:** The environmental and social (E&S) review of the proposed transaction consisted of a desk review of the E&S Management System (ESMS) of Banco Cooperativo Sicredi, as well as discussions with the Bank’s Environmental and Social Coordinator and Upper Management. The Bank is an existing client of IDB Invest and holds financing lines with other development financial institutions, which has fostered the development of its current ESMS.
- 2. Environmental and Social Categorization and Rationale:** The proposed transaction is categorized as IF-2 per IDB Invest’s Sustainability Policy, given the focus on individual, Micro and SME credits. Subloans to be funded through the green bond issuance will target projects or companies aligned with certain Sustainable Development Goals and will meet the IDB Invest’s criteria for green financing and ICMA’s Green Bond Principles (GBP). Bank Sicredi’s definitions for Micro and SME based on annual sales are: (i) Micro: up to US\$70,000; (ii) Small: from US\$70,000 to US\$194,000; and (iii) Medium: from US\$194,000 to US\$1,160,000. Bank Sicredi’s outstanding loans of the green portfolio averages US\$67,000 with six years tenor. Category A (High Risk) sub-projects, per IDB Invest’s definition, will be excluded from the transaction, as well as those sub-projects involving activities included in IDB Invest’s Exclusion List.
- 3. Environmental and Social Risks and Impacts:** The main E&S risk of this transaction is associated with Bank Sicredi capacity to identify and manage the E&S risks associated with its lending activities, where risks can be related to occupational health and safety, waste generation, transportation, among others. Since the Bond will fund individual, Micro and SME credits, these risks are expected to be low to moderate in nature. The green categories of eligible projects under the green bond are: (i) renewable energy: small scale systems; and (ii) energy efficiency.
- 4. Mitigation Measures:** Bank Sicredi has an ESMS and an E&S Risk Coordinator supported by three people that undertake E&S analysis. Bank Sicredi’s ESMS includes a policy, an exclusion list, procedure analysis and due diligence questionnaires. The ESMS draws significantly on the requirements defined by Brazil’s Central Bank legislation. The Bank has procedures in place for human resource management, as well as a grievance mechanism available for its employees. Stakeholder grievances or inquiries can be received through Bank Sicredi’s website (<https://www.sicredi.com.br/html/denuncia/>).

Bank Sicredi will be required to ensure that all subloans supported under the bond issuance comply with IDB Invest’s Exclusion List, applicable E&S local laws, Bank Sicredi’s existing Environmental and Social Management System (ESMS), and defined eligibility criteria. The eligibility criteria will establish all conditions that potential sub-loans must meet to be considered green. These criteria are in line with the green bond’s standards and GBP

5. Environmental and Social Action Plan (ESAP):

| Item | Action | Description | Deliverable | Completion Date |
|------|--------------------------|---|--------------|-----------------------------------|
| 1. | Update the existing ESMS | Update the ESMS to include review of all subloans financed through the green bond issuance and ensure review against applicable local law, exclusion list, as well as application of a E&S risk categorization. | ESMS updated | 9 months after first 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 requestinformation@idbinvest.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 MIICI@iadb.org, or calling +1(202) 623-3952.