

Environmental and Social Review Summary (“ESRS”)

Banco Agrícola: Leading the Way with the First Blue Bond Issuance in El Salvador / 15562-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed transaction included reviewing the Environmental and Social Management System (“ESMS”) of Banco Agrícola, S.A. (hereinafter “Banco Agrícola” or the “Bank”), as well as its portfolio of eligible loans for issuing of a blue bond. Additionally, discussions were held with the E&S risk management team and members of the Bank’s senior management. The Bank is an existing client of IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed blue bond issuance is classified as IF-2 under the IIC Environmental and Social Sustainability Policy, given that the financing will be directed towards subprojects with moderate E&S risk. The underlying loans will finance projects included in the eligible portfolio, which must comply with the eligibility criteria established in the blue bond framework. This framework is aligned with the Thematic Bond Principles of the International Capital Market Association (“ICMA”). Banco Agrícola will not finance subprojects categorized as Category A (high risk) by IDB Invest, nor will it finance projects involving activities on IDB Invest’s exclusion list.

Projects eligible for the Bank’s blue bond are mainly focused on companies in the corporate segment and fall within various subcategories of blue financing. These include wastewater treatment projects, port development, sustainable maritime transport, as well as agricultural and agro-industrial activities employing sustainable practices.

The transaction is considered to be aligned with the Paris Agreement based on an analysis conducted under the IDB Group Paris Alignment Implementation Approach. This analysis considers the Bank’s commitment to improving its climate risk management, as outlined in Section 5, which pertains to the Environmental and Social Action Plan (“ESAP”).

- 3. Environmental and Social Risks and Impacts.** The primary E&S risks associated with the transaction relate to Banco Agrícola’s ability to identify and manage the risks linked to its financing activities in the eligible blue bond portfolio. These E&S risks may pertain to worker health and safety, wastewater and solid waste generation, pollutant emissions, land use change, community health and safety, labor rights, and climate change, among others. The E&S impacts and risks associated with the subprojects are considered to be moderate.
- 4. Mitigation Measures.** Banco Agrícola has an ESMS that includes an exclusion list, an E&S risk categorization and assessment process, as well as criteria for designing E&S action plans. The ESMS includes the International Finance Corporation (“IFC”) Performance Standards (“PS”), local E&S laws and regulations, and guidelines for climate risk management. The Bank employs an E&S risk analyst and an E&S compliance officer, who are primarily responsible for conducting E&S assessments and monitoring the implementation of action plans for the subprojects, as well as for the overall management of the ESMS, with support from personnel in other operational areas. Banco Agrícola has Human Resources policies in place and provides a grievance mechanism for its employees. External communications are received through the entity’s website and are recorded in a database to ensure timely responses according to their nature.

Banco Agrícola must ensure that all underlying loans of the asset class financed by IDB Invest comply with local E&S laws, the IDB Invest exclusion list, IDB Invest eligibility criteria, the current ESMS, and the IFC Performance Standards (where applicable in accordance with the ESMS). The IFC Performance Standards must also be applied to the primary suppliers of agricultural and agro-industrial subprojects, where appropriate. As part of the E&S action plan described in Section 5, the Bank must develop procedures to improve E&S risk management.

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

No.	Activity	Description	Compliance Indicator	Compliance date
1	Climate risk management	Develop, document in the ESMS, and implement a procedure to identify and manage physical climate risks in the subprojects, where applicable.	Approved procedure	Within 16 months of issuance
2	Natural habitat conversion risk management	Develop, document in the ESMS, and implement a procedure to identify and manage natural habitat conversion risk across all agricultural and agro-industrial subprojects, using satellite monitoring tools.	a) Approved procedure b) Evidence of implementation	a) Within 10 months of issuance b) As part of the IMAS, ¹ information on implementation will be reported from the date of issuance onwards

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 IMAS is the Spanish acronym for “Environmental and Social Monitoring Report”, which must be submitted regularly to IDB Invest.