

Environmental and Social Review Summary (“ESRS”)

Banco Familiar: Senior Loan for Financial Inclusion in Paraguay / 14827-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed transaction consisted of a review of documentation (policies, plans, and procedures), as well as information on Banco Familiar’s MPYME program. In addition, conversations were held with management representatives and operational staff. Banco Familiar S.A.E.C.A. (“Banco Familiar” or the “Bank”) is an existing client of IDB Invest and the operation is considered to be in compliance with IIC’s Sustainability Policy.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction has been categorized as FI-3 in accordance with IIC’s Environmental and Social Sustainability Policy, since the subprojects to be financed are considered to present moderate E&S risk. The financing will support the growth of the microfinance and the entrepreneurs base of the pyramid portfolio of Banco Familiar. The average loan size for these operations are roughly PYG4,000,000 and PYG7,000,000 respectively with a tenor of 18 months. Banco Familiar will not finance Category A subprojects (high-risk), as defined by IDB Invest, nor those involving activities listed on the IDB Invest exclusion list.

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

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this projects are associated with the Financial Institution’s (“FI’s”) capacity to identify and manage the E&S risks associated with its lending activities. In this regard, Banco Familiar’s capacity in this respect is considered to be strong given its existing relationship with IDB Invest and other Development Finance Institutions (“DFIs”) actors, along with its advances in E&S management through the *Mesa de Finanzas Sostenible*. The Environmental, Social, and Health (“ESHS”) impacts and risks associated with loans to microfinance and base of the pyramid clients is likely to be small to moderate in nature. These E&S risks and impacts may involve worker health and safety, labor rights, and waste generation, among others. Where necessary and as part of its ESMS, Banco Familiar conducts site visits to clients to evaluate E&S risk and performance.
- 4. Mitigation Measures.** Banco Familiar will be required to ensure that all loans supported comply with IDB Invest’s Exclusion List, applicable E&S local laws, and the bank’s existing Environmental and Social Management System (“ESMS”). Banco Familiar will continue to work within the Mesa as a full member, apply the three sector guides required as part of its policy and ESMS, and undertake satellite monitoring to detect illegal deforestation. An Action Plan defined below will require that no deforestation be associated with IDB Invest’s use of funds.

Banco Familiar has human resource management policies that incorporate the principles of non-discrimination and equality. These include a Diversity, Equity and Inclusion Policy, as well as a Code of Ethics that provides a grievance mechanism available to employees. Banco Familiar also has external communication channels available on its website to receive and address concerns from third parties.

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

#	Activity	Description	Compliance Indicator	Delivery Date
PS1 - Assessment and Management of Environmental and Social Risks and Impacts				
1	Zero Deforestation	Banco Familiar will prohibit financing of any deforestation activity, including legal deforestation, associated with the use of funds of IDB Invest. The Bank will continue to monitor deforestation activities and report on this annually.	Annual report	As of first disbursement
				As part of the ESMR ¹

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 ESMR means the Environmental and Social Monitoring Report, which is to be delivered to IDB Invest on a regular basis.