

1. **Scope of the environmental and social review:** IDB Invest had various communications with the Scotiabank team and reviewed its environmental and social policy and internal policies for managing environmental and social risks and impacts.
2. **Environmental and social classification and rationale:** The subprojects to be supported will be SMEs with medium risk potential, primarily in the trade, manufacturing, and services sectors, with a maximum amount of US\$3 million. As a result, in accordance with the IIC Environmental and Social Sustainability Policy, the financial institution (FI) was categorized as FI-2.
3. **Environmental and social risks and impacts:** This project's main environmental and social (E&S) risks are associated with the FI's capacity to identify and manage the environmental and social risks related to its lending activities. Possible E&S aspects related to its main lending activities include, for example, pollution prevention and mitigation, proper use of water and energy, occupational health and safety, labor conditions, etc. Scotiabank has implemented an Environmental and Social Management System (ESMS) Policy for identifying and managing E&S risks. However, it applies only to subprojects for more than US\$500,000 involving corporate, commercial, and middle market banking. For SMEs below US\$500,000, there is currently no environmental management policy, except in line with regulatory issues. Nonetheless, there is an initiative on adopting a policy for SMEs similar to the existing policy; its implementation is expected by the end of 2019. Scotiabank has a team that is qualified and trained to manage E&S risks and impacts.
4. **Mitigation measures:** Scotiabank will be required to ensure that all the backed loans comply with the provisions of the IDB Invest List of Exclusions, applicable local laws on environmental, social, and labor matters, Scotiabank's internal procedures, and IDB Invest's E&S guidelines. In 2017, Scotiabank participated in the IDB Invest training seminar on Environmental and Social Risk Management for financial intermediaries, which was held in Cartagena, Colombia. Scotiabank has an operating procedure for handling communications, claims, and complaints from clients to review queries and complaints from any interested party, including those related to the social and environmental risks and impacts of its operations.
5. **Environmental and social action plan (ESAP)**

Activity	Action	Compliance Indicator	Deadline
ESMS	Update the Environmental and Social policy to ensure its application to all SME loans	Updated ESMS policy	December 31, 2019
Report prepared by the issuer	Regather information for preparing the IDB Invest Annual E&S Compliance Report on the management of the E&S risks of the subprojects financed through the loan	Annual E&S Compliance Report	Annual

**6. Contact information:** For queries regarding the project, including environmental and social issues related to an IDB Invest transaction, please contact the client (see **Summary of the Investment**), or IDB Invest via e-mail [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism via e-mail to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or by calling +1(202) 623-3952.