

ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

1. **Scope of Environmental and Social Review** The environmental and social review of the proposed transaction was carried out through desk research, and an extensive review and audit of the client's existing environmental and social management system and policies. On the whole, the client was found to be in compliance with requirements, and an action plan has been agreed that addresses gaps and areas for improvement.
2. **Environmental and Social Categorization and Rationale** The proposed operation is classified as an FI-2 per IDB Invest's Sustainability Policy. Sub-Investments to be supported will be primarily to SMEs in productive sectors (agriculture, livestock, agroindustry), and will average \$125,000. Category A sub-projects, per IDB Invest's definition, will be excluded from the Fund's financing.
3. **Environmental and Social Risks and Impacts** The main E&S risks of this projects are associated with FI's capacity to identify and manage the E&S risks associated with its lending activities. Atlas's capacity in this respect are considered to be market standard and improving given on-going work with an international consultant to enhance their ESMS. The ESHS impacts and risks associated with loans to SMEs are likely to be moderate in nature. While the dollar size of sub-project loans are small, the portfolio concentration in agriculture (25%), livestock (11%), alongside the environmental sensitivities of el Chaco region and the bosque Atlantida in Paraguay present more moderate to high potential environmental risks. The ESHS risks and impacts could include, for example: i) habitat conversion and degradation (agriculture, livestock); ii) poor land use (industry, agriculture, livestock), iii) stress/contamination of water resources (agriculture, livestock), iv) waste management (livestock, agriculture), v) use of migratory or informal labor (agriculture, livestock).
4. **Mitigation Measures** Atlas will be required to ensure that all loans supported comply with IDB Invest's Exclusion List, applicable E&S local laws, and Atlas's existing Environmental and Social Management System (ESMS). Atlas 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 has been defined below, which sets out small improvements Atlas will make in the operation of its ESMS.
5. **Environmental and Social Action Plan**

Task	Description	Deadline
Implementation of the ESMS and Sector Guides	Atlas will continue to implement its ESMS by extending the same level of analysis of high risk clients to all level 3, level 2, and level 1 clients (specifically including site visits, documentation, definition of action plans, monitoring and supervision).	One year post disbursement
Satellite Monitoring and portfolio supervision	Atlas will continue to use satellite monitoring in detecting legal and illegal deforestation and act in accordance with the requirements of its ESMS and the Sector Guides. Atlas will further pursue through the Mesa lowering the hectare threshold level (from 20K to 10K) by which member banks are required to apply monitoring technology	Throughout life of loan
Annual Reporting	Atlas will report annually on SME client lending, categorization, risks identified, and action plan follow up with sub-borrowers.	Throughout life of loan.

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 MICI@iadb.org, or calling +1(202) 623-3952.