

1. Scope of Environmental and Social Review

The environmental and social (“E&S”) analysis of the proposed transaction consisted of reviewing the documentation and conducting follow-up calls with the risk manager and the corporate governance manager. BG has been an IDB Invest client since 2010, and its E&S track record has been satisfactory. Also, BG has worked with other multilateral organizations, such as the UNEP FI and CAF, as well as funds like EcoBusiness.

2. Environmental and Social Categorization and Rationale

The subprojects to be supported have a medium risk potential, and they include commerce, agriculture, ranching, and silviculture. Consequently, pursuant to the IIC’s E&S Sustainability Policy, the financial institution (“FI”) is classified FI-2. The microcredit sub-loans are for up to US\$25,000 at a term of six to 42 months. The sub-loans to SMEs are for between US\$25,000 and US\$1 million.

The three largest sectors are the same for both the microcredit and SME portfolios, but with different percentages: commerce (66% for microcredit, 31% for SMEs), agriculture-ranching-silviculture-fishing (15%, 17%), and manufacturing (6%, 15%). The fourth largest sector in the microcredit portfolio is hospitality and food service (4%), while for the SME portfolio it is the real estate industry (8%). Subprojects classified in category A (high risk) and that entail activities on the IDB exclusion list will be excluded from IDB Invest financing.

3. Environmental and Social Risks and Impacts

This Project’s main E&S risks are associated with the FI’s capacity to identify and manage the E&S risks related to its lending activities. The potential risks related to its main lending activities include pollution prevention and mitigation and proper workforce management.

Beginning in 2015, Banco Guayaquil has implemented an Environmental and Social Management System (“ESMS”) to identify and manage the E&S risks in its portfolio. This process was updated in 2019 with the help of a local external consultant. The client has adequate E&S procedures in place, along with a team that has been trained to identify and mitigate E&S risks. In the first quarter of 2020, an E&S coordinator was hired to support the risk unit in risk identification and mitigation. The coordinator is currently working on sector-specific guides for clients in specific areas like bananas and shrimp.

4. Mitigation measures

Banco Guayaquil must guarantee that all the IDB Invest-backed loans comply with the IDB Invest Exclusion List, with applicable local E&S laws, and with the IDB Invest social and environmental guidelines included in the IFC Performance Standards, as applicable and as described in its ESMS.

5. Environmental and social action plan (“ESAP”) The same Action Plan will be used as in the transaction approved in 2019, project number 11749-06.

Contact information For questions about projects, including environmental and social issues associated with an IDB Invest transaction, please contact the client (see **Investment Summary**) or IDB Invest through e-mail requestinformation@idbinvest.org. As a last resort, affected communities have access to IDB Invest’s Independent Consultation and Investigation Mechanism through mecanismo@iadb.org or MICI@iadb.org, or by calling +1(202) 623-3952.