

1. **Scope of Environmental and Social Review.** The environmental and social ("E&S") analysis of the proposed operation consisted of reviewing the documentation on the portfolio and E&S processes, as well as holding conversations with BAC El Salvador representatives over the course of two days of due diligence with the management and risk teams. BAC El Salvador is a current IDB Invest client.
2. **Environmental and Social Categorization and Rationale.** The proposed transaction is classified FI-3 pursuant to IDB Invest's sustainability policy. The potential risk of the subprojects to be supported is low, which is to say that the subloans granted by BAC El Salvador are expected to involve commercial activities the majority of which have minimal or no adverse environmental and social impacts. All the subloans to be granted by BAC El Salvador with IDB Invest funds will go to women-led/owned SMEs. BAC El Salvador defines small enterprises as those with annual sales of between US\$130,000 and US\$2 million; it defines medium-sized enterprises as those with annual sales of between US\$2 million and US\$7 million. The largest sectors represented in its SME portfolio are commerce (67%), services (19%), and industry (10%). The average term of the SME portfolio is eight years, with an average loan size of US\$70,000. The IDB Invest proceeds will not be used by BAC El Salvador to finance Category A (high-risk) subprojects or projects within sectors included on the IDB Invest exclusion list. **Environmental and Social Risks and Impacts.** The environmental and social (E&S) risks of this transaction are related to BAC El Salvador's capacity to evaluate and manage the risks associated with its investments. BAC El Salvador has had a corporate system for environmental and social risk analysis ("SARAS") in place since 2015. The SARAS applies a local exclusion list to all its loans, and the SARAS is activated for client exposure equal to or greater than US\$1 million. However, according to the credit manager, business executives verify that all loans comply with the national exclusion list and environmental and social legislation. Business executives receive training twice a year, organized by region in El Salvador, on the SARAS and the requirements of national environmental and social regulations. The credit manager has an individual in charge of environmental and social issues who is responsible for training the 38 business executives.
3. **Mitigation measures.** The financing granted by BAC El Salvador must comply with IDB Invest's exclusion list and with applicable local and national environmental and social laws. In order for BAC El Salvador to have a better understanding of IDB Invest's requirements, the personnel in charge of supervising and implementing the SARAS must take IDB Invest's virtual course for financial intermediaries.^[1] The "Environmental and Social Management Systems" virtual course will help BAC El Salvador personnel to include environmental and social practices in the bank's risk management processes.
4. **Environmental and Social Action Plan ("ESAP").** Not applicable.
5. **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.

[1] <https://cursos.iadb.org/es/indes/sistema-de-gesti-n-ambiental-y-social-una-oportunidad-de-negocio>