

1. **Scope of Environmental and Social (“E&S”) Review.** The E&S review of the proposed transaction was carried out through desk research, conversations with the client, and a portfolio review. BDMG is an existing client of the IDB Group, has an established Environmental and Social Management System (“ESMS”) and a track record of E&S management.
2. **Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 per IDB Invest’s Sustainability Policy. Underlying loans to be supported under this sustainable bond will focus on largely SMEs with a concentration in the social infrastructure, health, education, small-scale renewable energy, water, sustainable agriculture and pollution prevention. The sub-loans will average US\$25,000 and a six year tenor. Sub-projects within the renewable energy sector (focused on solar, small scale hydro, and wind) average US\$500K. Category A sub-projects, representing corporate or project finance transactions, will be excluded.
3. **Environmental and Social Risks and Impacts.** The main E&S risks of this projects are associated with the Financial Institution’s (FI) capacity to identify and manage the E&S risks associated with its lending activities. BDMG’s capacity in this respect is considered largely satisfactory with the use of proceeds defined. The Environmental Social Health and Safety (“ESHS”) impacts and risks associated with loans to corporates and SMEs are likely to be moderate in nature. A large portion of the use of proceeds for this operation will be directed to small scale social infrastructure and disaster relief within municipalities. BDMG’s Human Resources Policy is considered in line with Performance Standard 2.
4. **Mitigation Measures.** BDMG has bank wide ESMS and a team of two individuals in Brazil that undertake E&S analysis. BDMG’s ESMS includes a policy, categorization guide and set of due diligence questionnaires. Client visits are occasionally undertaken to analyze specific E&S risks and impacts. The ESMS draws significantly on the requirements as defined by Brazil’s Central Bank legislation. In more complex corporate and project finance transactions, considered high risk, BDMG does not currently apply the IFC Performance Standards; for this reason, sub-projects for this project, while likely small, will be limited to US\$5million. BDMG will apply local law, and the IDB Invest Exclusion List. The E&S Manager will be required to take an E&S training course deemed satisfactory to IDB Invest.

5. Environmental and Social Action Plan

Activity	Description	Compliance Indicator	Timeline
Application of sub-project dollar cap	BDMG will limit the size of projects financed to a total project cost size no greater than US\$5million	Annual reporting of sub-projects greater than \$500K	Life of the contract

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.