

1. **Overview of Scope of IDB Invest Environmental & Social (“E&S”).** The E&S review of the proposed transaction was carried out through desk research, multiple conversations with the E&S team and Finance team, and a review of Produbanco’s Environmental and Social Management System.
2. **E&S Categorization and Rationale.** The proposed green line is classified as an FI-2 per IDB Invest’s Sustainability Policy. While green lines can present higher E&S risk, Produbanco has demonstrated capacity in the management of these risks, and portfolio investments under this credit line will focus on Produbanco’s SME clients. Sub-loans will be capped up to US\$2 million. Produbanco’s total existing green line portfolio is valued at US\$29 million, across SMEs and Corporates. SME investments will focus on energy efficiency and machine replacement mainly across six sectors: food and beverage, textiles, leather, manufacturing, and agribusiness.
3. **E&S Risks and Impacts.** The E&S risks relate to activities undertaken on larger scale, high-risk sectors including agriculture and manufacturing. These risks can relate to occupational, health and safety, water, land and air pollution, land conversion, generation of wastes, use of hazardous substances, and transport-related impacts, among others. Given the focus to fund SME credit, these risks will be low to moderate in nature. That said, Produbanco will be expected to adjust its Environmental and Social Management System (“ESMS”) to apply the International Finance Corporation (“IFC”) Performance Standards for green line lending within its corporate and project portfolios (see E&S Action Plan item #2).
4. **Mitigation Measures.** Produbanco will be required to evaluate, manage and monitor E&S risks through the application of an ESMS. Produbanco’s existing ESMS was first applied in 2014 and was developed with the assistance of several Development Financial Institutions (“DFI”) partners, as well as external consultants. The ESMS includes categorization guide, several sector checklists depending on risk/sector, and respective roles and responsibilities. They currently receive DFI funding from the Netherlands Development Finance Company (“FMO”). Under a recent DFI action plan, Produbanco has placed emphasis on E&S capacity building, and application of IFC Performance Standards in higher-risk project valued over US\$10 million. IDB Invest agrees with this focus and will be requiring the same within its action plan. Additionally, Produbanco will be participating in IDB Invest’s Sustainability Week.
5. **E&S Action Plan:**

Task	Description
Training of senior management, loan officers, credit analysts, and E&S specialists	With a focus on green lines, Produbanco will: (i) identify a trainer that can provide local training to senior management loan officers and credits analysts on application of the IFC Performance Standards; (ii) undertake a two-day training for E&S specialists with selected focus on 3-4 existing high-risk clients in the renewable energy, industry, or agribusiness sectors. Produbanco will provide IDB Invest an agenda and summary of the training provided.
Adjustment of ESMS	Produbanco will provide IDB Invest an updated version of its ESMS that incorporates procedures for when and how the IFC Performance Standards are applied in green line lending. The triggers will include project or corporate finance of projects with a dollar value in excess of US\$10 million and a tenor greater than 36 months.