

1. General Description of the Scope of the IDB Invest Environmental and Social Review

IDB Invest assessed Banco Bolivariano's ability to manage the environmental and social ("E&S") risks of its mainly commercial banking portfolio, with the following annual distribution: (i) SMEs: from US\$100,000 to US\$3 billion; (ii) Enterprises: from US\$3 billion to US\$5 billion and (iii) Corporations: more than US\$5 billion.

The following documents were reviewed: (i) Environmental Management Policy; (ii) Draft Manual on Application of the E&S Risk Management System ("*Sistema de Administración de Riesgo Ambiental y Social* - SARAS") and (iii) the Portfolio E&S Risk Map.

The E&S Due Diligence was conducted through a meeting held at the offices of Banco Bolivariano in the city of Guayaquil on October 11, 2018. The meeting was attended by the IDB Invest E&S Officer and Banco Bolivariano's Business Risk Manager and Assistant Comprehensive Risks Manager, who answered questions regarding the SARAS.

It should also be noted that Banco Bolivariano has Carbon Neutral certification granted by Earth University of Costa Rica in 2012, and received ISO 9001 - 2015 recertification in 2017.

2. Environmental and Social Classification and Rationale

This is a category FI-2 project operation in accordance with the IDB Invest E&S policy, given that the portfolio of current and future subprojects poses medium risk. Banco Financiero has a SARAS that is in a pilot stage and applicable to the portfolio of loans to enterprises and corporations. The SARAS manual is expected to be submitted for approval by the Board in December 2018 and its implementation will begin in January 2019.

3. Environmental and Social Risks and Impacts

The main E&S risks of this project are related to Banco Bolivariano's primarily commercial portfolio in the following sectors: (i) agriculture; (ii) fishing; (iii) extractive industries; (iv) infrastructure; (v) construction; and (vi) manufacturing. The information analyzed^[1] confirmed that 25% are in the medium risk (B) and high risk category (A), corresponding to the manufacturing and construction sectors.

The procedures and responsibilities for granting lines of credit are defined in the draft of the Manual on Application of SARAS, which is applicable to financing requests for the operations of corporate and enterprise clients of Banco Bolivariano that meet the following conditions: (i) the amount of the loan is equal to or greater than US\$ 1 million; and (ii) the credit application is for a term of more than one year. The SARAS to be implemented is not applicable to the SME portfolio.

The implementation, monitoring and continuous improvement of the SARAS is the responsibility of: (i) the E&S Responsibility Committee; (ii) banking officials and managers of enterprises in the commercial area; (iii) the Chief of Environmental Management in the Comprehensive Risks area; and (iv) The E&S Officer in the Comprehensive Risks Area. All officials with responsibility for the SARAS have been trained in the application of the Manual.

4. Mitigation Measures

The SARAS Manual consists of: (i) the exclusion list; (ii) identification of clients in sectors exposed or highly exposed to environmental and social risks; (iii) E&S categories (A, B and C); (iv) E&S verification list^[2] (mandatory for categories A and B), which includes a list of questions related to the client's environmental and social performance, on the basis of which the Risk Officer will issue

his opinion and/or recommendation on mitigation and/or monitoring actions to be taken, embodied in an Action Plan, if applicable. In addition, there will be annual monitoring of operations categorized as A and B and the Action Plans (as applicable).

As part of its Environmental Management Policy, Banco Bolivariano has established a list of prohibited activities for financing.

In addition, Banco Bolivariano: (i) will be in alignment with the specifications of the IDB Invest List of Exclusions, national E&S regulations, and the IDB Invest Sustainability Policy; (ii) Banco Bolivariano personnel responsible for E&S analysis of the loans will have to attend the E&S Risks Management workshop for financial intermediaries and/or receive the corresponding training from the Environmental Management Chief; and (iii) will develop and implement an external communication mechanism to review the queries and complaints of any interested party about the E&S risks and impacts of their operations.

5. Environmental and Social Action Plan

Item	Proposed Actions	Deliverable	Deadline
1	All loans granted with IDB Invest funds comply with the IDB Invest Exclusion List.	Exclusion list updated to the satisfaction of IDB Invest and included in the SARAS Manual.	Upon signing the loan contract.
2	Ensure the applicability of the applicable national E&S regulations and the IDB Invest Sustainability Policy for each operation in the commercial portfolio.	E&S checklist of clients in categories A and B updated to the satisfaction of IDB Invest.	Upon signing the loan contract.
3	Banco Bolivariano staff member responsible for E&S analysis of the loans must take the on-line course each year on E&S Risks Management for financial intermediaries of IDB Invest and/or receive the corresponding training from the Environmental Management Chief.	Evidence of annual attendance at training.	As of 2019 and thereafter in the E&S compliance report.
4	Update to the satisfaction of IDB Invest, internally approve the Manual on Application of the SARAS.	SARAS Manual approved by IDB Invest and the Board of Banco Bolivariano.	Upon signing the loan contract.
5	Incorporate the SME portfolio segment in the SARAS.	Updated SARAS Manual.	As of 2020.
6	Do annual monitoring of the E&S performance of the highest risk clients.	Evidence in the Annual SARAS Report.	As of 2019 and thereafter in the E&S Compliance Report.
7	Include in the SARAS Manual: (i) the application of industry good practices guidelines, as appropriate and (ii) implement a SARAS communication and/or training strategy for clients in the highest risk portfolio.	1. Updated SARAS Manual; and 2. Evidence of communication and/or training.	As of 2020 and thereafter in the E&S Compliance Report.

- 8 Submit an annual environmental report indicating to IDB Invest progress and/or improvement in the application of the SARAS E&S Compliance Report. As of 2020. and the problems identified in the implementation of that system.

6. Contact Information

For queries or comments for IDB Invest: IDB Invest's Communications Group

E-mail: requestinformation@idbinvest.org

For questions on projects, including environmental and social issues related to an IDB Invest investment, communicate with the client or IDB Invest using the contact information provided above. As a last resort, communities affected by the project have access to the IDB Invest Independent Consultation and Investigation Mechanism.

Tel: +1 (202) 623-3952

Fax: +1 (202) 312-4057

Address: 1300 New York Ave. NW Washington, DC. USA. 20577

E-mail: mecanismo@iadb.org or MICI@iadb.org

[1] List of SARAS operations, June - September 2018

[2] Environmental Legislation Compliance Form and the Social and Environmental Checklist