

**1. Project Description** This Project aims to expand Bancop's on-lending activities in the productive sector of Paraguay.

**2. Environmental and Social Categorization and Rationale** This operation is classified as an FI-2 under the IIC's Sustainability Policy. Based upon the nature of this transaction (i.e. a partnership to provide medium term funding to SMEs in the productive sectors), there are likely to be moderate to significant indirect environmental, social or health and safety ("ESHS") and labor impacts and risks. Bancop's portfolio is concentrated in agriculture (46.2%) and livestock (12.7%), which present risks in the form of deforestation and land-use change, particularly in the Paraguayan Chaco ("Chaco").

**3. Environmental and Social Risks and Impacts** Sub-project environmental and social risks may be related to occupational health and safety, supply chains, deforestation, land-use change, and pesticide / chemical use. Bancop will be required to manage these risks through the application of an Environmental and Social Management System ("ESMS") with particular attention given to operations in the Chaco or where deforestation is of heightened risk. Bancop will be required to apply the Exclusion List, National Laws, Good Practice Guides in the context of Agriculture, Livestock, and Agro-Industry on-lending, and use a satellite monitoring program for agriculture and livestock on-lending. These activities have been defined in a detailed action plan that Bancop has previously agreed with other Development Finance Institutions ("DFIs") lenders. Bancop will be required to report annually, and provide monitoring reports of client activity and possible deforestation.