

## Environmental and Social Review Summary (“ESRS”) Produbanco Sustainable Bond / 13655-01 – Ecuador

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### 1. Scope of Environmental and Social Review.

The environmental and social 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 (ESMS). Produbanco is an existing IDB Invest client and under a previous loan in 2018 upgraded its ESMS to incorporate the IFC Performance Standards.

### 2. Environmental and Social Categorization and Rationale.

The proposed sustainable bond is classified as an FI-2 per IDB Invest’s Sustainability Policy, given the majority focus in SMEs. While the green lending component can present higher E&S risk, the client has demonstrated capacity in the management of these risks, notably with the incorporation of the IFC Performance Standards within its existing ESMS. Produbanco’s total existing green line portfolio is valued at US\$54million, across its business segments. SME investments will focus on financing working capital or capital expenditure across the following sectors and categories: food and beverage, textiles, manufacturing, agribusiness, healthcare, education and women-lead enterprises. Sub-loan considered to be Category A per IDB Invest’s definition will be excluded.

### 3. Environmental and Social Risks and Impacts.

The environmental and social 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. Through this operation, Produbanco will receive advisory services support to assist the bank in its transition to Net-Zero and further certify the E&S performance of its sustainable Bond.

### 4. Mitigation Measures.

Produbanco will be required to evaluate, manage and monitor environmental and social risks through the application of its existing Environmental and Social Management System (ESMS). Produbanco’s existing ESMS was first applied in 2014 and was developed with the assistance of several DFI partners, as well as external consultants. It was most recently updated in 2020. The ESMS includes categorization guide, several sector checklists depending on risk / sector, and respective roles and responsibilities. Produbanco will apply the IFC Performance Standards to higher risk operations, the IDB Invest Exclusion List, and Local Law. Produbanco will report annually on the portfolio of operations under the Sustainable Bond and its ESMS.

5. E&S Action Plan (ESAP)

Task	Description	Deliverable	Date
Eligibility List with relation to the Sustainable Bond	Produbanco will define as a component of the Framework an eligibility list, which will exclude corporate projects to be considered as Category A by IDB Invest's definition.	Eligibility List and list of excluded activities as part of Framework	At disbursement

6. **Contact Information** For questions on the projects, including E&S issues related to IDB Invest's transactions, please contact the client (see **Investment Summary** tab) or IDB Invest by e-mail: [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1 (202) 623-3952.