

Environmental and Social Review Summary (“ESRS”)

Banco ABC: Financing for Medium Enterprises and Women-Owned Medium Enterprises in Brazil / 15436-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) analysis of the proposed transaction consisted of a review of documentation (policies, plans, and procedures), as well as information on the green credit portfolio of Banco ABC Brasil S.A. (“Banco ABC” or the “Bank”). In addition, conversations were held with management representatives and operational staff.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction has been categorized as FI-2 in accordance with IIC’s Environmental and Social Sustainability Policy, since the subprojects to be financed are considered to present moderate E&S risk. The financing will support the growth of the portfolio of medium enterprises portfolio of Banco ABC, part of which will target women-owned middle enterprises. The transaction is aligned with Banco ABC’s Sustainable Finance Framework, which is based on internationally recognized standards such as the International Capital Market Association (“ICMA”) principles for sustainable finance and the United Nations Sustainable Development Goals (“SDGs”).

The Bank defines Medium Enterprises as companies with annual gross revenues of up to BRL300 million (approximately US\$57 million at current exchange rates). The sub-loans in the middle enterprises portfolio have an average amount of approximately BRL2.7 million (approximately US\$500,000 at current exchange rates) and an average term of approximately 13 months. Within the middle enterprise portfolio, the three sectors with the highest participation are manufacturing (30.7%), commerce (24.4%), and agribusiness (12.9%). Banco ABC will not use the proceeds of the loan to finance Category A Subprojects (high-risk), as defined by IDB Invest, nor those involving activities listed on the IDB Invest exclusion list.

The transaction is considered Paris Agreement aligned based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risk of this transaction is related to the Bank’s ability to assess and manage the E&S risks and impacts associated with its financing activities. These E&S risks and impacts may involve worker health and safety, labor rights, waste generation, community health and safety, climate change, land use change, among others. The E&S risk level associated with the subprojects is considered moderate.
- 4. Mitigation Measures.** Banco ABC has an Environmental and Social Management System (“ESMS”) in place, led by a specialized team of four staff members responsible for its implementation, with support from other areas and departments. The ESMS is primarily based on requirements established by Brazil’s Central Bank regulations for Environmental, Social, and Climate (“ESC”) risk management and incorporates information systems and databases to facilitate the identification, assessment, classification, and monitoring of ESC risks. Furthermore, all loans related to agribusiness are subject to screening through satellite data from recognized open databases to identify deforestation risks. Banco ABC has also implemented automated measurements of

financed Greenhouse Gas (“GHG”) emissions for each transaction (PCAF¹ methodology) and established a Carbon Credit Solutions Desk to support client decarbonization.

Banco ABC has human resource management policies that incorporate the principles of non-discrimination and equality. These include a Diversity, Equity and Inclusion Policy, as well as a Code of Ethics that provides a grievance mechanism available to employees. The Bank has external communication channels available on its website to receive and address concerns from third parties.

Banco ABC will be required to ensure that all subprojects within the asset class financed (middle enterprises portfolio) by IDB Invest comply with local E&S regulations, IDB Invest’s Exclusion List, and the Bank’s current ESMS. As part of the E&S Action Plan described in Section 5, the Bank will also be required to implement measures related to ESC risk management, and its E&S team will need to complete an online course offered by IDB Invest.

5. Environmental and Social Action Plan (“ESAP”):

#	Activity	Description	Compliance Indicator	Delivery Date
PS1 - Assessment and Management of Environmental and Social Risks and Impacts				
1	ESMS Implementation	Submit evidence of the ESMS implementation to identify and manage ESC risks in the first two subprojects financed within the medium enterprise portfolio.	i) Environmental and Social Due Diligence (“ESDD”) reports	After disbursement date, each time an ESDD report is generated
2		Maintain the satellite verification system currently used for deforestation risk identification in all financed agribusiness subprojects related to rural credit operations (rural credit) governed by the Manual of Rural Credit (“MCR”, for its acronym in Portuguese) of the Central Bank of Brazil, within the medium enterprise portfolio, and submit evidence of its implementation as part of the ESMR.	ii) Evidence of implementation	As part of the ESMR ²

- 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.

¹ PCAF means Partnership for Carbon Accounting Financials.

² ESMR means the Environmental and Social Monitoring Report, which is to be delivered to IDB Invest on a regular basis.