

1. **Scope of Environmental and Social Review.** The environmental and social review of the proposed transaction was carried out through desk research, conversations with the client, and a review of the client's existing environmental and social management system and policies. Sudameris is an existing client of IDB Invest and has operated in accordance with IDB Invest's Sustainability Policy in all previous transactions.
2. **Environmental and Social Categorization and Rationale** The proposed operation is classified as an FI-2 per IDB Invest's Sustainability Policy. Sub-Investments to be supported will be primarily in the productive sector (agriculture, livestock, agroindustry), and will average \$500K. Category A sub-projects, per IDB Invest's definition, will be excluded from the financing.
3. **Environmental and Social Risks and Impacts.** The main E&S risks of this projects are associated with FI's capacity to identify and manage the E&S risks associated with its lending activities. Sudameris' capacity in this respect is considered high based on previous work with IDB Group and other DFIs (see Mitigation). The ESHS impacts and risks associated with loans to SMEs are likely to be moderate in nature. While the dollar size of sub-project loans are small, the portfolio concentration in agriculture (16%), industry (26%) and livestock (16%), alongside the environmental sensitivities of el Chaco region and the bosque Atlantida in Paraguay present more moderate to high potential environmental risks. The ESHS risks and impacts could include, for example: i) habitat conversion and degradation (agriculture, livestock); ii) poor land use (industry, agriculture, livestock), iii) stress/contamination of water resources (agriculture, livestock), iv) waste management (livestock, agriculture), v) use of migratory or informal labor (agriculture, livestock).
4. **Mitigation Measures** Sudameris will be required to ensure that all sub-loans supported comply with IDB Invest's Exclusion List, applicable E&S local laws, Sudameris' existing Environmental and Social Management System (ESMS), and the IFC Performance Standards in the case of high risk operations. As part of the work under IDB Group's previous loan, Sudameris was a lead bank in the creation of the Mesa de Finanzas Sostenibles of Paraguay, a roundtable that brings together 15 entities of the financial sector, the development of a good-practice guide in the Livestock sector and has recently adopted two others in the Agriculture and Agro-Industry sectors. The bank will continue to work within the Mesa, apply these three guides as part of its policy and ESMS, and undertake satellite monitoring to detect illegal deforestation. An Action Plan has been defined below, which sets out small improvements Sudameris will make in the operation of its ESMS.
5. **Environmental and Social Action Plan**

| Task | Description | Deadline |
|--------------------------------------|---|----------------------------|
| Update of ESMS to incorporate IFC PS | Sudameris will update its ESMS, specifically with the aim to incorporate the IFC PS into the Bank's Environmental and Social Policy, applicable to the relevant transactions; Project Finance financing and corporate loans, with investment cost equal to or greater than US\$10 million and credit term equal to or greater than 36 months. | 9 months post disbursement |

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 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 or MICI@iadb.org, or calling +1(202) 623-3952.