

1. **Scope of Environmental and Social Review.** The environmental and social (“E&S”) review of the proposed transaction was carried out through desk research, a client visit, and a portfolio review. Banco ABC Brasil (“ABC”) is an existing client of the IDB Group, has an established Environmental and Social Management System (“ESMS”) and a track record of E&S management. Through this transaction, IDB Invest will support the enhancement of ABC’s ESMS for a future green loan operation.
2. **E&S Categorization and Rationale.** The proposed operation is classified as an FI-2 per IDB Invest’s Sustainability Policy. Underlying loans to be supported under the social bond will focus on SMEs and corporates with a concentration in the health-care industry, including hospitals, pharmacies, and tech related sectors. The sub-loans will average between US\$260,000-US\$400,000. Category A sub-projects, representing corporate or project finance transactions, are not a consideration of this operation.
3. **E&S Risks and Impacts.** The main E&S risks of this projects are associated with the Financial Institution (“FI”) capacity to identify and manage the E&S risks associated with its lending activities. ABC’s capacity in this respect is considered adequate given its previous loans with IDB and other Development Financial Institutions (“DFIs”) for which it has established an ESMS. The Environmental Social Health and Safety (“ESHS”) impacts and risks associated with loans to corporates and SMEs are likely to be moderate in nature. ABC’s portfolio of SMEs is well diversified, with the highest exposure in: (i) retail and wholesale; (ii) real estate; (iii) consumer goods; (iv) services; and (v) textile manufacturing, among others. A large portion of the use of proceeds for this operation will be directed to health-care related companies to help combat the COVID-19 virus.
4. **Mitigation Measures.** ABC has bank wide ESMS and a team of two individuals in Brazil that undertake E&S analysis. ABC’s ESMS includes a policy, categorization guide and set of due diligence questionnaires. The ESMS draws significantly on the requirements as defined by Brazil’s Central Bank legislation. In more complex corporate and project finance transactions, ABC relies on the work of the lead arranger. For purposes of this SME transaction, the ESMS is considered satisfactory and in line with the requirements of IDB’s Sustainability Policy. Through this transaction, IDB Invest will assist ABC through a consultant to strengthen its ESMS to better integrate the IFC Performance Standards into its ESMS. IDB Invest, through this loan, will require that ABC undergo a comprehensive training on E&S management with emphasis on the Performance Standards.
5. **E&S Action Plan**

Activity	Description	Compliance Indicator	Timeline
E&S capacity building	Senior management, loan officers and credit analysts will be trained by a consultant on E&S management, the ESMS updates (to be undertaken by consultant) and the application of the IFC Performance Standards (“IFC PS”).	Certificates of training completion (annual reporting for new personnel)	6 months post disbursement

6. Contact Information For project inquiries, including E&S 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.

