

1. **Scope of Environmental and Social Review.** The environmental and social (“E&S”) analysis of the proposed operation consisted of reviewing the documentation on the portfolio and E&S processes, as well as a conversation with the regional credit risk manager (based in Costa Rica). BAC GT is an existing client, having received a senior loan in 2013.
2. **Environmental and Social Categorization and Rationale.** The proposed transaction is classified FI-3 pursuant to IDB Invest’s sustainability policy. The potential risk of the subprojects to be supported is low, as the subloans granted by BAC GT are expected to involve commercial activities the majority of which have minimal or no adverse environmental and social impacts. All the subloans to be granted by BAC GT with IDB Invest funds will go to SME and mid-market lending.  
 BAC GT defines SMEs as enterprises with loans of up to US\$1 million; and mid-market clients as enterprises with loans of between US\$1 million and US\$3 million. The average loan in the SME portfolio is US\$140,000 with an average term of 53 months. The mid-market portfolio has loans averaging US\$900,000 and a term of 14 months. The largest sectors represented in its SME and mid-market portfolio are commerce (41%), services (39%), and agriculture (11%). The agriculture loans are to enterprises engaged in the raising and fattening of livestock and poultry, coffee production, and African palm farming.  
 The IDB Invest proceeds may not be used by BAC GT to finance Category A (high-risk) subprojects or projects within sectors included on the IDB Invest exclusion list. Additionally, no IDB Invest proceeds may be used in agriculture mid-market subprojects.  
**Environmental and Social Risks and Impacts.** The environmental and social (“E&S”) risks of this transaction are related to BAC GT’s capacity to evaluate and manage the risks associated with its investments.  
 BAC GT has a corporate environmental and social management system (“ESMS”) in place since 2015 that sets guidelines for the group at the regional level. The ESMS applies a local exclusion list to all its loans, and the ESMS is activated for client exposure equal to or greater than US\$1 million. However, according to the credit manager, business executives verify that all loans comply with environmental and social legislation. This year, the group is in the process of contracting an external consulting firm to update its ESMS.
3. **Mitigation measures.** The financing granted by BAC GT must comply with IDB Invest’s exclusion list and with applicable local and national environmental and social laws. In order for BAC GT to have a better understanding of IDB Invest’s requirements, the personnel in charge of supervising and implementing the ESMS must take IDB Invest’s virtual course for financial intermediaries.<sup>[1]</sup> The “Environmental and Social Management Systems” virtual course will help BAC GT personnel to include environmental and social practices in the bank’s risk management processes.
4. **Environmental and Social Action Plan (“ESAP”).** Not applicable.
5. **Contact information.** For questions about projects, including environmental and social issues associated with an IDB Invest transaction, please contact the client (see **Investment Summary**) or IDB Invest through e-mail [requestinformation@idbinvest.org](mailto:requestinformation@idbinvest.org). As a last resort, affected communities have access to IDB Invest’s Independent Consultation and Investigation Mechanism through [mecanismo@iadb.org](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or by calling +1(202) 623-3952.

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<sup>[1]</sup> <https://cursos.iadb.org/es/indes/sistema-de-gesti-n-ambiental-y-social-una-oportunidad-de-negocio>