

1. **Scope of the Environmental and Social Review.** The environmental and social (E&S) analysis of the proposed transaction involved reviewing documentation, and discussions with Capital Bank management. The Bank is a new IDB Invest client but has or has had dealings with other Development Finance Institutions.
2. **Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2 under the IDB Invest Sustainability Policy. Sub-loans to Small and Medium Enterprise (SME) segments have a moderate risk potential. Accordingly, the sub-loans provided by the Bank include or are expected to include businesses with limited, relatively few, generally site-specific potentially adverse environmental and social impacts or risks, most of which are reversible and resolvable using mitigation measures. The sub-loans granted by the Bank using funds supplied by IDB Invest will be exclusively granted to SMEs. Average loans for SMEs are US\$ 220,000 and most have a term of less than 5 years. The small business portfolio is predominantly composed of the service sector (43%), followed by the trade (21%), production (18%), agriculture (10%) and consumer (8%) sectors. Average loans for small businesses are US\$ 109,000 and 63% have a term of less than 3 years. The medium-sized business portfolio is also predominantly composed of the service sector (45%), followed by the trade (36%), production (15%), agriculture (3%) and consumer (1%) sectors. Average loans for medium-sized businesses are US\$ 351,000 and 69% have a term of less than 3 years. The resources provided by IDB Invest may not be used by Capital Bank to finance category A (high risk) sub-projects as defined by IDB Invest, or projects in the IDB Invest exclusion list.
3. **Environmental and Social Risks and Impacts.** The E&S risks associated with this transaction relate to Capital Bank's ability to assess and manage the risks associated with its investments. The Bank has an exclusion list and an Environmental and Social Risk Management Policy for approving ESMS loan facilities that have applied to its entire portfolio since 2017. They describe compliance with national legislation and the extent of the due diligence required, which depends on the E&S risk. Capital Bank has an E&S Risk Officer who conducts detailed analyses regarding local regulations. The Bank also assigns personnel from its commercial department and its risk department to monitor the ESMS. Evaluation and monitoring include hiring external consultants for cases identified as at high environmental and social risk. The Bank organizes annual ESMS training for its commercial staff in both SME and Corporate banking. Capital Bank has 338 employees, where 46 hold management positions and 29 are women. The Bank has a Human Resources policy, Internal Regulations and a Code of Ethics. During the COVID-19 pandemic, 70% of its staff are working remotely and it has limited the number of people in each office.
4. **Mitigation Measures.** The financing provided by Capital Bank using IDB Invest resources must comply with the IDB Invest exclusions list, and with local and national E&S related law. Staff responsible for managing and monitoring the ESMS should attend the IDB Invest Environmental and Social Risk Management training workshop for financial intermediaries, in order to better understand IDB Invest's requirements.
5. **Environmental and Social Action Plan (ESAP)**

ITEM TASK		ACTIVITY	DELIVERABLE	COMPLIANCE DATE
1	IDB Invest Exclusion List	Include IDB Invest's exclusion list in the Environmental and Social Risk Management Policy, including in Appendix 1.	ESMS and Appendix 1 that include IDB Invest's exclusions list.	3 months after the first disbursement.

2	Update the ESMS	Update its ESMS and Appendix 1 to include functional links regarding references to both national and International Finance Corporation (IFC) information.	Updated ESMS and Appendix 1.	3 months after the first disbursement.
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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](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.