

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. Santander is an existing client of the IDB Group and has a well-established Environmental and Social Management System (“ESMS”) and track record of Environmental & Social (“E&S”) management.
2. **Environmental and Social Categorization and Rationale.** The proposed transaction is classified as an FI-2 per IDB Invest’s Sustainability Policy. Underlying loans to be supported under the gender bond will focus on women-owned SMEs. The sub-loans average less than US\$1.8 million. This transaction will not fund Category A sub-projects, representing corporate or project finance transactions.
3. **Environmental and Social Risks and Impacts.** The main E&S risks of this projects are associated with the Financial Institution’s (“FI”) capacity to identify and manage the E&S risks associated with its lending activities. Santander’s capacity in this respect is considered high, given its leadership as an Equator Principles bank and long-standing work in all aspects of E&S management. The Environmental, Social, Health and Safety (“ESHS”) impacts and risks associated with loans to Small and Medium Enterprises (“SMEs”) are likely to be moderate in nature. Santander’s portfolio of women-owned SMEs is concentrated in commerce and services, as well as exposure to industry and agribusiness sectors. The average tenor of the portfolio is between 1-3 years.
4. **Mitigation Measures.** Santander has a robust portfolio-wide ESMS and a team of seven individuals in Brazil that undertake E&S analysis. The scope of analysis of the E&S Risk team goes beyond project finance deals to include reviews of clients with annual sales of over 20 million Reals, as well individual farmers and ranchers. The E&S Risk team dedicates about half of its time to analyzing retail clients. The extent of issues assessed include project impacts, water stress and sources of water, validity of licenses, pollution and fines, and supply chain concerns among others. Within the SME segment, larger medium-sized companies do receive screening against a general checklist. All clients, including those not reviewed by this team, undergo reviews against an exclusion list and slave labor list. Santander is a founding member of the United Nations Environment Programme (“UNEP”) Finance Initiative’s recently launched Principles for Responsible Banking. Santander will be required to ensure that all sub-loans supported under the loan comply with IDB Invest’s Exclusion List, applicable E&S local laws, and Santander’s ESMS.
5. **Environmental and Social Action Plan** Not Applicable.
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 MIICI@iadb.org, or calling +1(202) 623-3952.