

**1. Project Description.** This project aims to expand Banvienda’s on-lending activities in the productive sector of Panama with a focus on its agricultural and livestock portfolio for financing corporate and SMEs activities, mainly in the regions of Chiriquí, Azuero, and Darien, to implement Climate Smart Agriculture practices, including energy efficiency measures, renewable energy solutions, water and irrigation systems, among others.

**2. Environmental and Social Categorization and Rationale.** This operation is classified as an FI-2 under the IIC’s Sustainability Policy. Based upon the nature of these transactions (i.e. a partnership to provide funding to agricultural and livestock corporates and SMEs), are likely to be of moderate to significant indirect environmental, social, health and safety (“ESHS”) and/or labor impacts and risks. Banvienda’s portfolio will be concentrated mainly in agricultural and livestock clients in the regions of Chiriquí, Azuero and Darien, which present risks in the form of possible air, water and soil contamination, land-use conversion, deforestation, generation of wastes, use of hazardous substances, transport-related impacts, noise and vibration, and labor impacts.

**3. Environmental and Social Risks and Impacts.** Sub-project environmental and social risks may be related to air, water and soil contamination, land-use conversion, deforestation, generation of wastes, use of hazardous substances, transport-related impacts, noise and vibration, occupational health and safety, and supply chains. Banvienda will be required to manage these risks through the application of an Environmental and Social Management System (“ESMS”) to identify, evaluate manage and monitor the E&S risks of its portfolio. This ESMS will include adequate E&S procedures and plans to develop and assign a qualified team trained to manage E&S risks and impacts.

**4. Mitigation Measures.** Banvienda will be required to ensure that all loans supported comply with the IDB Invest Exclusion List, applicable E&S local national laws and good practice guidelines in the context of Agriculture, Livestock, and Agro-Industry on-lending, and the IDBG’s environmental and social guidelines. Additionally, illegal deforestation with IDB Invest’s use of proceeds will not be permitted. To enable the Borrower to better understand the IDB Invest’s requirements, Banvienda will be required to attend the IDB Invest’s Environmental and Social Risk Management training workshop for financial intermediaries (“FI”). Banvienda will also be required to upgrade their External Communication or Grievance Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations. Finally, Banvienda will be required to report annually and provide monitoring reports of client activity and possible deforestation.

#### 5. Environmental and Social Action Plan (“ESAP”).

No.	Task	Description
1	Improvement of E&S Policy and Procedures	Improve E&S policy and procedures, including the integration of E&S sector guides and organization, resulting in a revised E&S Policy, exclusion list and procedures manual, including flowchart and role division.
2	Pilot Testing and Integration of the ESMS	Test the ESMS on selected clients/projects and adjust E&S policy, procedures and tools as necessary (“pilot”), and ensure full inclusion of E&S procedures and sector guidelines into Banvienda’s processes and systems, including credit manual and related templates for credit committee decisions, credit review, etc.
3	Approval and Implementation of the ESMS	Confirmation of External E&S Advisor on completeness of ESMS including E&S Sector Guidelines available and adopted by Banvienda

4	Capacity Strengthening & Training of the ESMS.	Develop E&S training of senior management, loan officers and credit analysts on IDBG environmental and social guidelines and IFC Performance Standards, by experienced consultant acceptable to IDB Invest or by attending the IDB Invest's Environmental and Social Risk Management training workshop for FIs and provide an E&S training during the Banks induction program to new commercial and (credit)risk management staff, and members of the Credit Committee.
5	Evaluation of the ESMS	Full review of functioning ESMS and implementation of E&S Sector guidelines and formal approval of ESMS by Board / Directorio and roll-out to entire portfolio.
6	Exclusion of financing from High Value Conservation Areas (HVCA) with IDB Invest's financing	Banivienda to exclude new financing from areas defined as HVCA and in accordance with a map provided by IDB Invest and for IIC's financing. In instances where existing clients are found to be operating in an HVCA, Banivienda to take actions in alignment with the guides, to include (i) agree an action plan, (ii) escalate the level of monitoring, and (iii) present each specific case to IDB Invest.
7	Adopt and implement the Cattle Ranching, Agriculture, and Agro-Industry Guides	Incorporate the requirements as defined within the respective guides. For the first Guide (Cattle Ranching), Banivienda will adopt the same implementation schedule as adopted by other financial institutions in Panama, and other guides (Agriculture and Agribusiness) according to a commonly agreed schedule. Banivienda will (1) provide three credit files for review six months after implementation; and (2) hire a consultant to undertake an audit of the Cattle and Agriculture guides' adoption two years after implementation.
8	Prohibit illegal deforestation with IDB Invest's use of funds	For all sub-loans financed with IDB Invest's proceeds, prohibit any illegal deforestation.
9	Grievance Mechanism	Upgrade Banivienda external communication or grievance mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.