

A. Overview of Scope of BID Invest’s E&S Review. The environmental and social review of the proposed transaction was carried out through desk research, meetings with Patagonia and their credit, risk and investment teams, and a portfolio review. Patagonia is an existing IDB Invest client and has worked with other multilateral development banks previously. It maintains and operates a basic Environmental and Social Management System (“ESMS”), which it will enhance with the assistance of an external consultant under this line.

B. Environmental and Social Categorization and Rationale. The proposed SME green line is classified as an FI-2 per IDB Invest’s Sustainability Policy. Sub-loans will average US\$250 thousand, and will target primarily agribusiness clients with the aim to finance productivity increased activities. Sub-project investments could reach as high as US\$ 1 million. Category A sub-projects will be excluded from IDB Invest’s financing.

C. Environmental and Social Risks and Impacts. Patagonia has a portfolio of clients primarily concentrated in the industry (28.4%) sector, with additional sector focus in agribusiness (15.6%) and manufacturing (9.9%). With the focus of this line targeting agribusiness, the environmental and social risks therefore relate to land conversion, biodiversity impacts, occupational, health and safety, pollution, generation of wastes, and transport-related impacts during construction, among others.

D. Mitigation Measures. Patagonia will be required to evaluate, manage and monitor environmental and social risks through the application of an Environmental and Social Management System (ESMS), which will include application of the exclusion list and local law. The ESMS will include an overarching policy, categorization guide, green line eligibility criteria and sector checklists, and a definition of roles and responsibilities. Patagonia will be required as part of its ESMS enhancement to (i) undertake an ESMS audit; (ii) strengthen the operation and execution of its ESMS with a focus on green lines in the agribusiness sector; (iii) develop sector specific checklists and guidance for on-lending under this line; and (iv) conduct training for both management and commercial teams on the final ESMS delivered.

E. E&S Action Plan:

Task	Description	Deadline
ESMS Audit and improvement	Based on audit and green line development undertake an enhanced ESMS that includes (i) improved focus on sector risks within Agri (sector checklist, simple guidance), and (ii) uses GFW Pro and satellite monitoring to better measure and manage agri related investments.	6 months post disbursement
Green line development	With the consultant on a first draft to define (i) eligibility criteria for green investments targeting those sectors better positioned for green financing (can be in the agri sector but also energy efficiency in industry and services). (ii) Define measurement and verification procedures	4 months post disbursement
Training of senior management, loan officers, credit analysts, and E&S Specialists	With the support of a consultant, Patagonia officials will be trained on the new ESMS, Green Line material, and sustainability vision for the bank.	9 months post disbursement