

1. Environmental and Social Categorization and Rationale: This has been classified as an FI-3 project according to the IIC's Environmental and Social Sustainability Policy because of the low risk of the subprojects in the financial intermediary's current or future portfolio and the low amount of the sub-loans (maximum amount of approx. US\$30,500 on average). 2. Environmental and Social Risks and Impacts: the portfolio risk to be financed includes financial exposure to goods and services (30%), commerce (16%), housing (11%), manufacturing (8%), consumer loans (7%), construction (7%), hotels and restaurants (5%), and others (16%), which predominantly have low environmental and social impacts including, but not limited to: (i) environmental: water, soil and air pollution and waste management; (ii) occupational health and safety ("OHS") risks such as: gas releases, chemical hazards and fire; and (iii) community and labor issues such as health, safety and stakeholder engagement. BHDL has an Environmental and Social Management System ("ESMS") that has been updated in 2014 and is in alignment with IIC Sustainability Policy. BHDL has knowledgeable E&S staff that conducts E&S assessments and who have attended the IIC's training course on Environmental and Social Risk Management in previous years. Banco BHDL's labor policies are generally consistent with IFC's Performance Standard 2: Labor and Working Conditions ("PS2"). The risk of the portfolio to be financed includes financial exposure to microfinance activities that generally have low environmental and social impacts: (i) water, soil, and air pollution, waste and agrochemical management; (ii) occupational safety and health, including risks such as: gas discharge, harmful chemical substances, and fires; and (iii) community issues such as health, safety, and stakeholder participation. 4. Mitigation Measures/E&S Action Plan: BHDL will be required to implement its ESMS ensuring that activities financed with IIC funds are not found on the IIC's list of excluded activities and that they comply with domestic environmental and occupational safety standards. In addition, BHDL will be required to submit annual environmental reports to the IIC indicating the progress made and problems encountered in the implementation of its ESMS.