

1. Overview of Scope of IDB Invest E&S Review. The environmental and social review of the proposed transaction was carried out through desk research of pertinent information from the client during the month of August 2017.

2. Environmental and Social Categorization and Rationale. The sub-projects to be supported have a medium risk potential. Therefore, per the IDB Invest's Environmental and Social Sustainability Policy, the FI has been categorized as FI-2. Based upon the nature of this transaction, namely SME financing, there are likely to be moderate to significant indirect environmental, social or health and safety (ESHS) and labor impacts and risks.

3. Environmental and Social Risks and Impacts. Metrobank's portfolio currently covers the commercial, consumer, services and agribusiness sectors. With the support of IDB Invest, they are looking to increase their SME portfolio, including the agribusiness segment. Thus, the key risks and impacts derive from Metrobank's capacity to manage the potential environmental and social risks associated with agribusiness lending. Risks may include, but are not limited to social and environmental issues such as: (i) environmental: biodiversity impacts, waste management, agrochemicals and hazardous materials; (ii) occupational, health and safety risks, and (iii) social issues: such as land acquisition, health and safety and stakeholder engagement. Metrobank currently does not have an Environmental and Social Management System (ESMS) in place, however they require clients by contract to comply with any national environmental and social legislation as applicable to the client's business, and to carry out business activities in an environmental and socially responsible manner. They have a Code of Ethics in place that includes its commitment for the protection of the environment among its main ethical principles. In addition, Metrobank has an adequate mechanism and procedure to receive and address claims and suggestions from the community, including clients and other stakeholders.

4. Mitigation Measures. Metrobank currently does not have an Environmental and Social Management System (ESMS) in place; they are working with an external consultant to update their Risk Management System in which they will include environmental risks. They will be required to set up a system to adequately identify and monitor the environmental and social risks of their portfolio. If any sub-loans dedicated to projects are identified as high risk, the relevant IFC performance standards will need to be applied to those sub-loans. Metrobank will further be required to ensure that activities financed with IDB Invest funds are not found on the IDB Invest's list of excluded activities and that they comply with applicable local environmental and occupational safety standards. In addition, Metrobank will be required to submit annual environmental reports to the IDB Invest indicating the progress made and problems encountered in the implementation of its ESMS. To enable the borrower to better understand the IDB Invest's requirements, the person in charge of the ESMS at Metrobank will be required to attend the IDB Invest's environmental training workshop for financial intermediaries or another similar course approved by the IDB Invest. Lastly, Metrobank should set up a feedback and grievance mechanism for their employees.

5. Environmental and Social Action Plan

Task	Description
Capacity Building in environmental and social standards and supervision for financial intermediaries	Participation in the IDB Invest environmental training workshop for financial intermediaries (or another similar training course as approved by the IDB Invest)
Development and implementation of an Environmental and Social Management System (ESMS)	Metrobank will establish, with the help of an adequately qualified consultant, an ESMS and provide a copy of the ESMS to IDB Invest for review.

ESMS oversight	Designation of responsibility for overseeing the ESMS to an E&S Manager.
Compliance with applicable national environmental and social law	Ensure that clients are in compliance with local law and request copies of environmental permits.
Internal grievance mechanism	Metrobank should set up a procedure to receive and address claims and suggestions from employees