

ENVIRONMENTAL AND SOCIAL STRATEGY¹

Banco General, Panama

A. Environmental and Social Impacts and Risks

- 1.1 Based upon the nature of this operation, there should be limited direct environmental, social, health and safety impacts/risks, and thus a limited environmental assessment is required. The potential key environmental, social, health and safety, and labor issues and risks associated with this operation are those related to the specific projects financed by Banco General and could include (i) Banco General's environmental credit risks and (ii) IDB Reputation Risks associated to Banco General's environmental, social, health and safety, and/or labor practices.
- 1.2 Environmental credit risks refer to potential negative effects on Banco General's ability to repay the IDB because of: (i) risks due to Banco General credit programs associated with the reduction in mortgage asset values or property guaranties/securities due to environmental or social issues (e.g. environmental liabilities) or increased probability of non-repayment of loan due to environmental and social issues (e.g. law suits, fines, etc); and (ii) risks associated with Banco General facilities and operations, such as environmental liabilities in their offices due to asbestos, lead paint, etc. or Banco General employees having occupational health and safety problems due to working conditions (e.g. inadequate emergency preparedness, lack of fire exits, etc).
- 1.3 Reputation Risks are associated with Banco General's involvement in projects, companies or activities considered unacceptable to the IDB and/or that will face significant public opposition or concerns, such as (i) inappropriate development sitting; (ii) Banco General finance application and analysis process that is not equitable, fair, and unbiased in terms of social factors (e.g. gender, age, ethnicity, or cultural heritage, etc.); and (iii) significantly deficient labor practices by Banco General. These risks are considered to be minor and will be assessed during the due diligence.

B. Status and Compliance

- 1.4 Banco General has been working on developing an environmental and social risk management system within the guidelines set out by the International Finance Corporation (IFC) and other multilateral institutions. To assist them in this process, Banco General has contracted the support of EcoConsulta, S.A., a consulting firm based in Costa Rica, whose founders and partners are members of INCAE and founders of the EcoBanking Project. With the help of these consultants, Banco General will have an

¹ This Environmental and Social Strategy (ESS) is being made available to the public in accordance with the Bank's policy on information disclosure. The ESS has been prepared based primarily upon information provided by the Project sponsors and does not represent either the Bank's approval of the Project or verification of the ESS completeness or accuracy. The Bank, as part of its due-diligence on the feasibility of the Project, will assess the environmental and social aspects. This assessment will be presented in the Project Environmental and Social Management Report that will be prepared by the Bank, and will be made available to public prior to consideration of the Project by the Bank's Board of Executive Directors.

Environmental and Social Policy and procedure in place during the 4th quarter of 2008, and will apply these procedures systematically in the future.

- 1.5 Banco General's Code of Ethic includes stated reference to respect, fair and equal treatment as a basis for labor relations.
- 1.6 As a financial intermediary operation, this transaction is not categorized as per Policy Directive B.13 of the Environment and Safeguard Compliance Policy.

C. Strategy for Environmental and Social Due Diligence

- 1.7 The Bank, as part of the due diligence process, will analyze the environmental and social aspects of the Project and establish environmental, social, health and safety, and labor requirements in the legal agreements. The environmental and social due-diligence will specifically include the components listed below:
 - a. An assessment of Banco General's compliance status with the applicable country (national, state, municipal) environmental, social, health and safety, and labor regulatory requirements;
 - b. An assessment of the sufficiency of current credit appraisal, approval, and monitoring procedures to manage environmental and social liabilities, impacts and risks of its loan/mortgage operations, including risks associated with Banco General's mortgage portfolio. Current procedure should at a minimum be able to (i) include in the application and analysis process (i.e., underwriting guidelines and risk review process) consideration of environmental or social aspects (such as possible impacts on coastal zones, lake and rivers), and assess potential environmental financial/credit risks and liabilities that may be associated with the loans; and (ii) include provisions to have credit officers qualified and trained to identify potential environmental, social, health and safety, and labor issues/liabilities.
 - c. An evaluation to assure an appropriate inventory of present environmental and occupational safety liabilities in Banco General's facilities and operations, and if they exist, assess the adequacy of the action plan to properly resolve them.
 - d. An evaluation to ensure that Banco General has adequate Contingency Plans and procedures (i.e. emergency response programs, building evacuation drills, etc) including their technical adequacy, adequate level of training, and sufficient resources to ensure adequate implementation.
 - e. An evaluation of Banco General's compliance with the Fundamental Principles and Rights at Work and with any other international labor organization conventions and treaties which have been ratified by Panama, to determine presence of any existing major labor problems associated with Project companies, and whether they practice fair and unbiased labor practices related to sex, age, ethnicity, cultural heritage, and collective bargaining.
 - f. An assessment of the adequacy of Banco General's procedures to ensure that loan/mortgage and/or foreclosure procedures, finance application and analysis process is equitable, fair, and unbiased in terms of social factors (e.g. age, gender, cultural heritage, etc).