

- **FirstCaribbean International Bank**
- **Regional Risk-Sharing Facility**
- **(JA-L1018)**

ENVIRONMENTAL AND SOCIAL MANAGEMENT REPORT

Project Description

The purpose of the Facility is to share the credit exposure of FirstCaribbean International Bank Ltd. (“FirstCaribbean”) in a portfolio of eligible existing and/or new individual loans originated by FirstCaribbean. Through the Facility, the IDB will provide Partial Credit Guarantees (“PCGs”) to FirstCaribbean in respect of FirstCaribbean’s credit risk exposure under eligible loans to eligible Borrowers (“Guaranteed Loans”).

The use of proceeds for the risk-sharing facility (the “Facility”) includes: loans for expansion and/or renovation projects (excluding greenfield projects), general corporate purposes or refinancing purposes. The purpose of all of the loans in the Facility will be consistent with the borrower’s line of business, and meet any and all relevant IDB’s guidelines and internal policies.

One of the Facility’s priorities will be on loans for the expansion and /or renovation of infrastructure projects, in the Caribbean region in particular, infrastructure inefficiencies loom as one of the most significant barriers to global competitiveness. Existing bottlenecks and inefficiencies have not only restricted intra-regional trade and investment but also constitute an impediment to improved export performance. The Facility will focus on infrastructure projects in order to work with those transactions that benefit the economy but may be too small to apply for direct assistance from SCF due to high transaction costs.

The project would be structured as a US\$200 million risk-sharing facility between IDB and FirstCaribbean. IDB will provide a PCG for up to 50% of each Guaranteed Loan (with each PCG totaling a minimum of US \$5 million and a maximum of US\$ 20 million) and the cumulative total of all PCGs under the Facility equaling to no more than US\$200 million. IDB will provide a maximum of 20 Guaranteed Loans in the Facility at any given time.

Environmental and Social Compliance

The Environmental and Social Strategy for the Environmental and Social Due Diligence was presented and approved by ESR on May 23, 2008, ESR 20-08 and no further action was required except sending the ESMR to ESR for verification only.

FirstCaribbean is a subscriber to the Equator Principles, and does not have an Environmental Management System (EMS) yet, but the credit manual was modified to specifically incorporate a section on environmental and social impacts. Every transaction undergoes an environmental and social review.

Based upon information provided by FirstCaribbean, their facilities are in compliance with all relevant in-country environmental, health and safety legal requirements. FirstCaribbean performs evacuation drills in their Kingston facilities, and has trained evacuation brigades.

Additionally, under its Corporate Responsibility program, the bank encourages and supports employees to volunteer their time and skills to the local community. Volunteering involvement is directed through the Comtrust Foundation, managed and administered by the Marketing Department. FirstCaribbean's community program identifies suitable projects where volunteer time can make a positive impact. Under the Corporate Responsibility program the bank has a program called "Adopt a Cause/Adopt a School".

Environmental and Social Impacts and Risks

The key potential environmental, social, health and safety, and labor impacts and risks associated with the Risk Sharing Facility are those related to or caused by the infrastructure/renovation projects. These impacts and risks can be diverse and their significance will depend on the project characteristics (e.g. location/projects located in areas susceptible to natural hazards, such as tornados, hurricane and floods) and magnitude of development. Typical temporary impacts (e.g., loss of vegetation, increased air emissions and noise, potential contamination or disruption of surface and ground waters, etc) will be managed by the borrowers.

To a lesser degree, there could be environmental, social, health and safety or labor liabilities associated with FirstCaribbean's facilities.

Reputational risks could be associated with any potential involvement by FirstCaribbean with a borrower or project considered unacceptable to the IDB and/or likely to face significant public opposition or concerns, such as those activities or practices in the IDB Environmental Exclusion List (e.g., deforestation, slave labor, forced labor etc). No Guaranteed Loans will be involved in such activities.

Environmental and Social Management

IDB participation will assure that FirstCaribbean develops an Environmental and Social Management System. The ESMS will detail the policy, procedures and workflow that will be followed by First Caribbean for all the Guaranteed Loans. FirstCaribbean will appoint an environmental manager and an environmental coordinator to manage the Environmental and Social review process. Prior to the initiation of a comprehensive due diligence and of any prospective Guaranteed Loan, the Environmental Manager will categorize the project according to its level of

environmental and social risk. The risk or impact categories are A, B, or C in accordance with the IDB's Environmental and Safeguards Compliance Policy. These categories depend upon the level of potential environmental and social impact or risk. Upon completion of the Environmental and Social due diligence the Environmental Manager will prepare an Environmental and Social management plan for each project as the basic document describing the findings of the due diligence and defining the measures to be undertaken for Environmental and Social protection and management. FirstCaribbean will include IDB's environmental and social requirements in the loan documentation of prospective Guaranteed Loans.

With respect to consultation with affected groups and public disclosure, the Facility will comply with IDB guidelines. Once a year, the Facility will publish a web-based summary of the Environmental and Social performance of its portfolio. FirstCaribbean will ensure compliance with the Environmental and Social Requirements by the underlying Borrower for any and all FirstCaribbean loans that are being guaranteed under the Facility.

FirstCaribbean's ESMS includes: (i) an environmental policy, (ii) commitments of FCIB for the environmental and social management of its own facilities and operations with respect to the Facility; (iii) an environmental and social procedure for the environmental and social management of Guaranteed Loans; (vi) roles, responsibilities and training, (vii) procedures-project review and approval process including: project review using Environmental Exclusion List, categorization list, identification, assessment, mitigation and monitoring of potential environmental, social and health and safety impacts and risks and approval process for all investments, (viii) reporting requirements.

Environmental and Social Requirements

As part of the Facility Agreement, the Bank will require that FirstCaribbean and the Borrowers, both with respect to the Guaranteed Loans, comply with each of the following:

1. All applicable country environmental, social, health and safety, and labor regulatory requirements
2. All applicable aspects of the IDB Environmental and Safeguard Compliance Policy (OP-703), Involuntary Resettlement Policy (OP-710), Indigenous Peoples Policy (OP-765) and Natural and Unexpected Disasters (OP-704).
3. The Fundamental Principles of Rights at Work.
4. IDB's List of Excluded Activities for Non-Sovereign Guaranteed Operations (NSG), Trade Finance Exclusion List.

Prior to financial closure, the ESMS must be finalized in form and content satisfactory to the IDB. The ESMS must be fully implemented and operational before any loan (existing or prospective) is approved by the IDB for a PCG. The IDB will require compliance with the ESMS and all Environmental and Social Requirements for each IDB PCG, and will require the issuance of an Environmental and Social Compliance Certificate by a FirstCaribbean representative and/or an external environmental consultant. Once a year, the Facility will publish a web-based summary of the Environmental and Social performance of the Facility.

During the life of the Facility, FirstCaribbean will be required to prepare and submit an Environmental and Social Compliance Report (ESCR), in frequency, form and content acceptable to IDB.

The Bank will monitor the Facility's environmental, social, health and safety aspects via internal Bank supervision and will contract an external independent environmental consultant to perform more detailed supervision during the life of the Facility as necessary. The Facility Agreement and Guaranteed Loan Agreements will include appropriate cure mechanisms and remedies for substantive non-compliance with the environmental and social requirements, up to and including environmental fees, loan acceleration and Facility termination.