

**BANCO MULTISECTORIAL DE INVERSIONES**  
**ES-L1011**  
**ENVIRONMENTAL AND SOCIAL STRATEGY<sup>(1)</sup>**

**A. Project Status and Compliance**

Banco Multisectorial de Inversiones (“BMI”) states that it is in compliance with all the relevant environmental, social, health and safety and labor applicable regulations, and that it has equitable and unbiased practices in terms of social factors.

BMI is the only second Tier Bank in El Salvador and one of the first banks that adopted the Equator Principles. The Bank has an environmental procedure that includes risk categorization. BMI prides itself as been one of the first banks in El Salvador that integrates environmental and social aspects in its lending assessment.

As this operation involves a Financial Intermediary, and in accordance with Policy Directive B.13. this project is not categorized.

**B. Environmental and Social Impacts and Risks**

Based upon the nature of this project (i.e., a facility to support the only second tier bank in the country to extend the tenor of its funding and support and increase in loans targeted to mortgages and education). The potential key environmental, social, health and safety, and labor issues and risks include (i) BMI’s environmental credit risks, and (ii) IDB Reputation Risks associated to BMI’s environmental, social, health and safety, and/or labor practices.

The environmental, social, health and safety, and labor impacts associated with the projects financed can be as diverse as BMI’s portfolio. It is expected that IDB resources will be mainly used to be on-lent to the major banks in El Salvador and Eligible Financial Institutions (“EFIs”).

Environmental credit risks refer to potential negative effects on BMI’s ability to repay the IDB because of: (i) risks due to BMI’s loan programs associated with the reduction in mortgage asset values or property guaranties/securities due to environmental or social issues (e.g. environmental liabilities) and (ii) risks associated with BMI’s facilities and operations, such as environmental liabilities in their offices and branches due to PCB transformers, asbestos, lead paint, etc., or BMI’s employees having occupational health and safety problems due to working conditions/environment (e.g. inadequate emergency preparedness, lack of fire exits, etc).

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<sup>1</sup> This Environmental and Social Strategy (ESS) is being made available to the public in accordance with the Bank’s Policy on Disclosure of Information. 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’s 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, 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.

Reputational risks are associated with BMI involvement in projects or companies considered unacceptable to the IDB and/or that will face significant public opposition or concerns,\ or BMI's finance and HHRR practices that are not equitable, fair, and unbiased in terms of social factors (e.g. gender, age, ethnicity, or cultural heritage, etc.).

### **C. Strategy for the Environmental and Social Due Diligence**

The Bank, as part of the due diligence process, will analyze the environmental and social aspects of the project. The environmental and social due-diligence will specifically include the components listed below:

An assessment of BMI's compliance status with the applicable environmental, social, health and safety, and labor regulatory requirements in El Salvador.

An assessment of the sufficiency of current credit appraisal, approval, and monitoring procedures to manage environmental and social liabilities, risks and/or impacts of loan operations.

An evaluation to assure an appropriate inventory of present environmental and health and safety liabilities in BMI's portfolio, and facilities, and if they exists, assess the adequacy of the action plan to properly resolve them.

An evaluation to ensure that BMI has adequate emergency response programs, (e.g. building evacuation drills, etc) including their technical adequacy, adequate level of training, and sufficient resources to ensure adequate implementation.

An evaluation of BMI's compliance with the Fundamental Principles and Rights at Work and whether they practice fair and unbiased labor practices related to sex, age, ethnicity, cultural heritage, and collective bargaining.

An assessment of the adequacy of BMI's procedures to ensure that loan procedures, finance application and analysis process is equitable, fair, and unbiased in terms of social factors (e.g. age, gender, cultural heritage, etc).