



SARAS

Environmental and Social Risk Management System

The Environmental and Social Risk Analysis System - SARAS is part of our comprehensive risk management process and is managed by the Environmental and Social Risk Department of the Vice-Presidency of Credit Risk, reporting to the Corporate Risk Committee, the Credit Risk Committees and the Sustainability Committee. It includes policies and procedures to apply it in loan evaluations in the corporate, construction, business and leasing segments, as well as in investment decisions and in the management of strategic suppliers.

The SARAS methodology has been applied since 2011 and establishes policies, considering amounts, terms, sensitive activities, and local regulations, when required by credit approval bodies; it is also aligned with IFC standards, performance standards and exclusion list and includes procedures and work plans for climate change risk management and human rights risk management.



Methodology

The SARAS methodology is aligned with IFC standards, performance standards and exclusion list. In the evaluation, the following aspects are reviewed:

- Compliance with applicable local legislation
- Labor and working conditions
- Assessment and management of environmental and social risks and impacts
- Resource efficiency and pollution prevention
- Cultural heritage
- Environmental and/or social certifications and awards
- Community education and income programs
- Indigenous peoples
- Community health and safety
- Climate change mitigation and adaptation
- Land acquisition and involuntary resettlement
- Biodiversity conservation and sustainable management of living natural resources
- Promotion of good practices

The applicable methodology allows us, based on existing information, to generate a categorization of environmental and social risk A, B or C, taking into account the probability of greater to lesser environmental or social impact, assess possible environmental and social risks, generate an environmental and social concept, establish action plans when required and follow-up measures (covenants) to verify the performance of environmental and social aspects during the term of the loan with the Bank. In infrastructure projects (project finance), we support the process



since the credit structuring stage. As part of the SARAS process, we include procedures and work plans for climate change risk management and human rights risk management.

In evaluating large infrastructure projects, the evaluation considers the elements of the methodological Equator Principles benchmark, including due diligence by an independent consultant.

Climate Change Risk

The evaluation of the Climate Change Risk is part of the SARAS, and establishes the relevance of the risk for the project or activity to be financed. It considers antecedents of climatic situations, threats, as well as the possible impact on the environment, which allows identify and categorize risk. In the assessment are evaluated mitigation and adaptation management and existing measures. The evaluation of this risk is also applied in portfolio to determine the exposure to threats due to the occurrence of possible events associated with climatic variables in the different geographies.

Human Rights Risk

The human rights risk assessment is carried out as part of the SARAS in accordance with Banco Davivienda's Human Rights policy. The risk assessment process includes the review of actual and potential adverse impacts of our own activities, clients and third parties on human rights, existence of management measures to avoid or minimize risks and address adverse impacts.

The evaluation is carried out through differentiated procedures for Bank employees, as well as for clients in the granting of credit and in the valuation of strategic suppliers.

More information: [Link Human Rights](#)

SARAS Tools

As part of the input tools for the SARAS evaluation, the FIAS Environmental and Social Information Form is used, which is filled out with the information on the activity to be evaluated by the client or supplier. It includes aspects such as the type of project, size, location, environmental and social management, environmental permits, concessions or authorizations, compliance with labor regulations, management and control measures, environmental and social impacts, proximity to environmentally or socially sensitive areas, and others. Climate change and human rights are cross-cutting issues.

Additionally, in the evaluation process, procedures and formats are used that collect information and evidence on the environmental and social performance of the project or activity, inputs and external information inquiries related to regulatory compliance and geographic characteristics are included. The Environmental and Social Action Plan is established, which includes the concept and the management and control measures.

Example cases of SARAS evaluations carried out in 2020 for the granting of credit

1. Photovoltaic Solar Power Station

The project to build a photovoltaic solar power station (19.9 MW) and its transmission line is deemed environmentally and socially Feasible, subject to certain requirements, as the project is based on IFC guidelines. There are no ethnic communities in the area covered by the project and the environmental impact assessment was shared with the communities in the area of influence. There are policies and procedures in place for social management and compliance with applicable labor laws.



A hydrological and hydraulic study was conducted for this project, concluding that there is no risk of flooding due to the proximity of two rivers. However, since the elevation of the project does not differ much from one of the rivers at 385 meters, it is recommended that a protective barrier be installed in a section of the lot as a preventive measure. The project was granted an environmental license valid throughout its duration, in addition to a forest use permit. Upon conducting Environmental and Social Due Diligence, an Action Plan was prepared to address issues and comply with the IFC's Performance Standards.

2. EDGE-certified senior living facility

The project to build a senior living facility is deemed environmentally and socially Feasible, subject to certain requirements. The development of the project involves an environmental manager and the project is in the process of obtaining EDGE certification. There are policies and procedures in place to comply with applicable labor laws, and there is a recommendation to implement programs and procedures aimed at the surrounding community. No environmentally or socially sensitive areas were identified, nor is there any history of climatic or social impacts in the project area. A forest use permit was granted as required for the first disbursement. The client identifies the environmental and social impacts of the project operation, and is requested to assess the scope of impacts for the construction stage.

3. Construction of warehouses

The project to build three warehouses in a logistics park is deemed environmentally and socially feasible. The project includes an Environmental Management Department, programs designed to engage the surrounding communities, as well as policies and procedures for compliance with applicable labor laws.

There is no history of environmental or social impacts in the project area. The project is close to a wetland, where monitoring within the framework of the Environmental and Social Risk Management System conducted on other projects inside the Logistics Park revealed that management measures are implemented to preserve the body of water.

The project has a waterway occupancy permit to build a hydraulic structure to collect rainwater and discharge it into the wetland. The client identified the environmental and social impacts of the project and submitted the Environmental Management Plan outlining the appropriate management and control measures to manage the project's impacts.