File N ° 13982/18

Minutes N ° 78 dated November 22, 2018.-

RESOLUTION N ° 8.-

SUPERINTENDENCY OF BANKS - GUIDE FOR RISK MANAGEMENT ENVIRONMENTAL AND SOCIAL FOR REGULATED ENTITIES AND SUPERVISED BY THE CENTRAL BANK OF PARAGUAY.-

SEEN: Circular SB.SG. N ° 1300/2014, the memorandum SB.GSES.IEN.NF. N ° 19/18 and the orders of the Superintendency of Banks dated September 23, 2014 and September 19, November 2018; Law No. 294 dated October 7, 1993, “ON THE EVALUATION OF ENVIRONMENTAL IMPACT"; Decree No. 453 of the Executive Power dated October 8, 2013, "BY WHICH LAW N ° 294/1993" OF EVALUATION OF ENVIRONMENTAL IMPACT ”AND ITS AMENDMENT, LAW N ° 345/1994, AND IT IS REPEALED DECREE N ° 14.281 / 1996 ”; Decree No. 954 of the Executive Power dated 18 December 2013, “BY WHICH ARTICLES 2 ° ARE MODIFIED AND EXPANDED, 3, 5, 6 SECTION E), 9, 10, 14 AND THE ANNEX OF DECREE N ° 453 OF 8 OF OCTOBER 2013, "BY WHICH LAW N ° 294/1993" OF ENVIRONMENTAL IMPACT ASSESSMENT ”AND ITS AMENDMENT, LAW No. 345/1994, AND DECREE N ° 14.281 / 1996 IS REPEALED ”; the GUJ memorandum No. 98/18 of the Legal Unit dated November 21, 2018; the orders of the Presidency of dates November 21 and 22, 2018; Y,

WHEREAS : Article 12 of Law No. 294/93 “On Impact Assessment Environmental ”establishes that the Environmental Impact Statement will be an unavoidable requirement, for obtaining credits or guarantees related to the project to be financed.

That, in accordance with the aforementioned legal provision, it is necessary to establish guidelines on good environmental and social practices that contribute to the development of policies that encourage and promote sustainable financing practices, allowing financial institutions have a common understanding of how to manage Risks Environmental and Social of clients and their projects and allow them to act on an equal footing terms.

That, the consideration of environmental and social risks in the process of analysis and evaluation of credits granted by Financial Institutions, helps them to reduce their global exposure to risk, mainly credit and reputational risk.

Therefore, in use of its powers,

THE BOARD OF DIRECTORS OF THE CENTRAL BANK OF PARAGUAY RESOLVES:

1 °) Approve the GUIDE FOR THE MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS FOR ENTITIES REGULATED AND SUPERVISED BY THE BANK CENTRAL DEL PARAGUAY, whose text added in Annex to its antecedents forms

part of this Resolution -- --------------------------------

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2) Provide that it be applied in order to contribute to an effective identification, measurement, evaluation and control of Environmental and Social Risks, which are The entities regulated and supervised by the Central Bank of the Paraguay, regardless of the size and complexity of its operations and businesses.

3 °) Establish that the entities regulated and supervised by the Central Bank of Paraguay, conform to this Guide approved by this Resolution .------------------------------------

4 °) Establish the maximum period for the entities regulated and supervised by the Central Bank of Paraguay comply with this provision, on December 31, 2019 .--- -- ---

5 °) Communicate to those who correspond, publish and file .------------------------------------- ----

SIGNED.- JOSÉ CANTERO.-PRESIDENT.-
ERNESTO VELÁZQUEZ ARGAÑA.-CARLOS CARVALLO SPALDING.-
DIEGO DUARTE SCHUSSMULLER.-TITLE DIRECTORS.-

RUBÉN BÁEZ MALDONADO.-SECRETARY OF THE BOARD OF DIRECTORS.-

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ANNEXED

GUIDE FOR THE MANAGEMENT OF SOCIAL AND ENVIRONMENTAL RISKS FOR ENTITIES REGULATED AND SUPERVISED BY THE CENTRAL BANK OF PARAGUAY

Introduction

Factors such as population growth, greater use of natural resources and diverse productive and economic activities have generated changes in the environment, which in turn have impacted on business, trade and production, as well as activities related to them. That is why the need to become aware of the environmental and social impacts that could influence not only the risk profile and the profitability of companies, but also in the feasibility of projects.

Environmental and Social Risks (E&S) are one of the different types of risks that Financial Institutions (FI) should take into account when evaluating the granting of loans, credits or investment opportunities.

From a financial point of view, environmental risk is identified in three ways:

Direct risk: Occurs when the FI exercises operational control of a business or when, In some cases, the FI takes as a safeguard or guarantee of loans granted, properties that they could have environmental liabilities. In this case, the FI must ensure that these assets have with the necessary control measures in the event of environmental damage produced. Otherwise could lose not only the amount borrowed, but also, would be forced to remedy or repair the environmental damage caused.

Indirect risk: Occurs when the borrower cannot meet their

Obligations and commitments assumed with the FI due to an increase in its costs operational (not projected) derived from the performance of actions aimed at its adaptation to the legal provisions and environmental regulations in force, in order to avoid incur environmental damage or mitigate possible impacts. This can have an effect on the flow of funds of the natural or legal person taking the credit, and consequently in the ability to pay it and fulfillment of its obligation with the FI. If the takers of the loan incur in non-compliance or transgression of the environmental regulations in force, could be subject to fines, penalties, incur costs for the responsibility of

compensate for environmental damage, temporary or definitive closure of your company, etc., putting in risk your ability to repay the credit obtained to the FI.

Reputational risk: This risk is associated with the image of FI, whose main asset it's trust. If an FI carries out loan or credit operations with individuals or legal entities that do not implement good environmental and social practices, is exposed to the loss of its good reputation. Failure to review the environmental and social impact that may arising from the operation of a lender could result in a negative image for both, client and IF. This reputational risk is present in almost all operations and transactions of an FI, affecting all parties involved.

Article 1 - Object and Scope of Application

This guide presents a set of minimum guidelines that will allow the design of a framework for the effective Management of Environmental and Social Risks, in order to promote the implementation of good practices and prudent risk-taking by companies Financial Institutions (FIs).

Likewise, its purpose is to express guidelines that serve as a reference in the process of integrating E&S Risk Management in the credit risk analysis of the IFs.

The guidelines and recommendations in this guide should be the minimum to be contemplated by each FI within a Due Diligence process and are merely enunciative. Each FI is responsible for applying due diligence and conducting the analysis.

appropriate depending on the risk and exposure you assume in your portfolio, client and / or project, according to its size and characteristics.

Likewise, it will allow FIs to have a common and equitable basic understanding to manage the E&S Risks of its clients and their projects, added to commercial practices transparent and consistent.

It is not intended for FIs to assume the responsibilities or functions of the agencies competent public in E&S matters, nor hold them responsible for eventual breaches by clients whose projects are financed by them.

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Article 2 - Conceptualizations

For the purposes of this provision, the terms and expressions indicated below then they will have the following meanings:

2.1. Senior Management: it is made up of general managers and departmental managers, among others, responsible for executing the provisions of the board of directors or equivalent body, and for making decision-making, according to the designated functions and the defined organizational structure in each IF.
2.2. Client: recipient of the financial product.
2.3. Environmental Impact Statement: it will constitute the document that will be granted to the applicant the license to start or continue the work or activity that executes the evaluated project, under the obligation to comply with the Environmental Management Plan and without prejudice to being required a new Environmental Impact Assessment in the event of significant modifications to the project, of the occurrence of unforeseen effects, of subsequent extensions or of potentiation of negative effects from any subsequent cause.
2.4. Sustainable Development: refers to the rational and responsible use of the natural resources of a certain place, taking care that they are not damaged so that the future generations may also make use of them, emphasizing the regeneration of available resources and in the mitigation of possible environmental impacts.

2.5. E&S Risk Management: constitutes the Risk Management Process that involves the identification of activities, according to their nature and prioritization of E&S problems that these cause, the identification of potential problems, the determination of the probability of their occurrence, the exploration of alternative solutions and the determination of the actions to be taken to minimize the associated risks.
2.6. Environmental Impact: any modification of the environment caused by works or human activities that have as a positive or negative consequence, direct or indirect, affect life in general, biodiversity, quality or a significant quantity of the natural or environmental resources and their use, well-being, health, safety personal, habits and customs, cultural heritage or legitimate livelihoods.
2.7. Financial Institutions (FIs): entities regulated and supervised by the Central Bank of Paraguay.

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2.8. Environmental Liability: is that damage generated by a work, project or productive activity or economic, that has not been repaired or restored, or that which has been intervened previously but in an inadequate or incomplete way and that continues to be present in the environment, constituting a risk for any of its components.
2.9. E&S Management Plan: it will contain the description of the protective, corrective or mitigation of negative impacts expected in the project; compensation and planned indemnities; of surveillance, monitoring and control methods and instruments that will be used, as well as the other provisions that are added in the regulations current.
2.10. Environmental & Social Policies: it is a written statement in which the intentions and principles that will guide the actions of the FI within the framework of operations financial institutions in which environmental and social responsibility must be applied, which must be duly documented and approved by the Board of Directors or equivalent body of the herself.
2.11. Project: any economic activity that, due to its size or intensity, is liable to cause environmental and / or social impacts, which takes place in a location concrete and that requires studies on its viability and impact in the area of influence.
2.12. Environmental & Social Risk: the possibility of losses due to the occurrence of conflicts environmental and social issues related to the development of projects that may have a significant impact

significant on the economic, social or environmental system in which they develop.
2.13. Environmental & Social Risk Analysis System (SARAS): constitutes the set of policies, mechanisms, tools and procedures for an easy and timely identification, evaluation, reduction and monitoring of environmental and social risks generated by the beneficiaries in the development of their activities, so that minimize the possibilities that FIs bear the costs transferred by these risks, in their role as funders.

Article 3 - Risks associated with E&S risk
FIs are exposed to a certain level of E&S Risk through their clients through the operations carried out with these, which if not managed properly, can lead to the deterioration of the reputation of the same, costly legal litigation, loss of income, among other consequences.

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The type, quantity and severity of E&S issues that pose risks to an FI, in a given operation, depend on a series of factors among which are They find the geographic context, the economic sector, and the type of operation.

The following are the types of risks resulting from E&S problems that the client of an FI can be exposed, and in turn the way in which this can be translated into direct risks for the FI, within the framework of a financial operation:

3.1. Credit risk: occurs when a client is unable to comply with the obligations derived from access to a credit or loan granted by an FI, or when negative impacts influence the guarantees given by the client, due to problems ACE. The risk occurs when a client faces certain legal obligations, or economic in the process of remedying the A&S damage caused by negligence, fraud or fault, or when the client is forced to pay compensation to third parties affected.

3.2. Legal risk: FIs are exposed to losses due to the liability derived from the
breach of legal obligations of a client, at the time they take possession
of assets that were offered as collateral. These losses could include fines,
penalties, obligation to repair damages caused to the site and costs associated with
third party claims for damages due to ineffective E&S risk management.

3.3. Operational risk: FIs are exposed to risk-related losses
operational, derived from business interruptions and practices with customers, products and
businesses as a result of E&S problems. In the absence of proper management, these events
risk could affect the client's ability to meet its obligations to
themselves and / or may reduce the value of the customer's warranties in the context of a
financial operation. The fact that a client does not comply with the regulations and
current E&S guidelines, may jeopardize your business operations, as well as
also the operations of the FI that supports the financial operation.

3.4. Liquidity risk: FIs may also face liquidity risk events due to
E&S issues associated with warranties. In effect, the FI could use resources
own to comply with the obligations, costs of recomposition, restoration or

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compensation of environmental liabilities produced in the properties received as quality
guarantee, and in this way you will suffer variations not contemplated in your financial plan.

3.5. Reputational risk: FIs are exposed to reputational risk due to advertising
potentially negative associated with poor E&S practices by a customer. This hurts
the brand value and image of the FI in the media, with the public, with the community
business and financial, and even with your own staff.

Article 4 - Applicability of the Guidelines
These guidelines will be applied to the categories of loans and other products.
related to clients or projects that require financing, and that by the
nature of its activities, imply an E&S impact assessment, in which case it will be
enforceable in accordance with the legal provisions and regulations in force, the Declaration of
Environmental impact.

Article 5 - Applicable standards
FIs must consider all current legal and regulatory provisions regarding E&S aspects during E&S due diligence of a financial transaction particular. This implies that all E&S permits, licenses or consents issued by the competent authorities, will be considered as compliance requirements required.

International regulations on E&S sustainability will be considered as good practical and optional, denoting the commitment of FI clients to sustainable operations.

To identify, manage and mitigate E&S risks in the processes of granting of loans or credits, FIs should develop an ESMS according to the size and complexity of its operations.

Article 6 - E&S Risk Management
FIs must design an ESMS that allows the identification, evaluation, follow-up, control and mitigation of E&S risks in the framework of the development of their businesses and

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For this purpose, they will prepare an E&S Risk Management Policy, in which They must clearly describe the SARAS adopted by them.

Each FI must adopt its own definition of E&S Risk for administrative purposes internal, reflecting their special characteristics, including size, nature and complexity of its products and activities.

Article 7 - Environmental & Social Risk Management System (SARAS)
The ESMS adopted by the FIs must contemplate a set of E&S Policies, procedures, and tools, in addition to establishing the required internal capacity (description of roles and responsibilities designated to your staff) and describe the

decision-making process; in order to identify, control and manage the exposure of FIs to E&S risks associated with their clients.

Likewise, it must establish the commitment of the FIs related to E&S management and the procedures to be applied for the identification, evaluation and management of said risks affected to the granting of credits.

It should also provide guidance for the detection and categorization of transactions based on your E&S risk, the procedures for conducting due diligence and the monitoring of the client's performance, in relation to E&S aspects.

A well-designed ESMS should, at a minimum, include the following aspects:

- Definition of the objectives of the FI's E&S policy and the commitment of the High Management to implement the necessary mechanisms to mitigate risks A&S for the same.
- Definition of the standards that the FI expects its clients to adopt, including the verification of compliance with applicable regulatory requirements on the matter environmental, social, health, safety and work.
- Design of procedures and criteria to identify, evaluate and manage systematically the E&S risks associated with the client or project.
- Training and orientation so that staff understand the potential impact of E&S risks in the FIs' portfolio, and thus manage them in terms operational.

- Procedures established for FIs to verify mitigation measures implemented by their clients, with the corresponding documentary support.

Article 8 - Objectives of the adoption and implementation of the SARAS
Through the adoption and implementation of an ESMS, it is intended that said system serve to support FIs so that they can meet the following objectives:

- Identify the E&S risks associated with its clients and the possible impacts on the IF portfolio.
- Evaluate, mitigate and monitor E&S risks in loan operations,

structured way.
- Identify new business opportunities related to the A&S sector.
- Monitor compliance, by customers, with applicable local regulations in E&S matters and treaties and / or conventions ratified by the country.
- Require clients, as long as it corresponds, according to the results of the evaluation carried out, the implementation of mitigation measures, for cases in which the E&S risk is considered High and Medium.
- Generate a good reputation among clients, investors and other members of the financial market.

Article 9 - Basic Elements of an ESMS

9.1. Policy A&S

FIs must have an E&S policy that establishes their vision and mission regarding the environment, society and their contributions to sustainable development. The It must be in writing and must be approved and endorsed by the Board of the FIs.

This policy articulates the FIs' commitment to integrating the considerations A&S in its productive and commercial activities, as well as in contributions to the sustainable development.

The policy may include the following statements and commitments:
- Incorporate E&S risk considerations in all financing activities.
- Establish strategic E&S objectives, such as offering new products that address E&S sustainability.

- Exclude from financing clients whose commercial activities do not comply with the FI policy.
- Define E&S requirements applicable to clients such as compliance with the national norms and international standards related to the E&S area.
- Communicate E&S expectations to all staff, clients and other external parties interested.

- Assume the commitment to improve the E&S performance of its portfolio through a adequate risk management.
- Promote continuous training of personnel in order to facilitate the identification of E&S risks.

9.2. Functions and responsibilities

For an ESMS to run properly, it is essential that the functions and responsibilities for decision-making, as well as for the implementation of the procedures are clearly defined. FIs may assign responsibilities in the framework of the application of SARAS to existing areas in them, in order to evaluate clients and their projects with respect to the E&S Risk Management guidelines according to corresponds.

FIs should maintain a governance structure compatible with their size, the nature their businesses, the complexity of the services and products offered, as well as the activities, processes and systems adopted to ensure compliance with the guidelines and objectives of the E&S Policy.

FIs should assign specific responsibilities to the different areas involved in the coordination and application of E&S Policies, in order to achieve an implementation practical and consistent of them.

The different functions and responsibilities must be clearly defined, and must be expressly stated in the respective IF function manuals.

9.2.1. Board Responsibility

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The Board of Directors or equivalent authority of the FI or higher-ranking local official if In the case of branches of a foreign FI, it will be responsible for ensuring that it has an adequate strategy for E&S risk management. To do this you must:

9.2.1.1. Approve the implementation of an adequate framework to manage E&S risk as a different risk, taking into account the dimensions of the FI and the complexity of its operations, the minimum periodicity of review or each time it is produce, in the opinion of the FI, relevant events or situations related to this risk. It should include policies that define the FI's approach to identifying, evaluating, monitor, control and mitigate risk.

9.2.1.2. Approve the E&S Risk Management Policy and Practice Manuals and A&S procedures.

9.2.1.3. Provide clear guidelines and guidelines to Senior Management or equivalent body and approve the corresponding policies developed by it.

9.2.1.4. Have clear knowledge of the procedures developed for the purposes of manage E&S risk and its degree of compliance, for this, it must receive information with the periodicity indicated, which allows analyzing and verifying the strategic and substantial implications of said risk for its operations.

9.2.1.5. Allocate the necessary resources for the adequate management of E&S risk, in order to have the appropriate infrastructure, methodology and personnel.

9.2.1.6. Have a structure capable of implementing the management framework of the E&S risk of the FI.

9.2.1.7. Approve policies for disseminating the E&S risk management framework to all areas and FI officials.

9.2.1.8. To authorize or not a loan if the project to be financed has the category of High risk.

9.2.1.9. Decide on the cancellation of a financial transaction based on the risk level of the draft.

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9.2.2. Responsibility of Senior Management or equivalent authority

You will have the following responsibilities:

9.2.2.1. Prepare reports and controls of the processes and procedures for the implementation practice and operation of the E&S risk management framework approved by the Directory of the IF.

9.2.2.2. Develop policies, processes and procedures for design and maintenance of SARAS.

9.2.2.3. Be primarily responsible for E&S evaluations and recommendations for conditionality that have been discussed with the Credit Committee

9.2.2.4. Ensure that the person in charge of E&S risk management works in coordination with the person responsible for managing the other risks.

9.2.2.5. Request reports from the unit or responsible person related to the results of the execution of processes and procedures. It should be established on the periodicity of said reports according to the size, nature and complexity of its products and processes and with the magnitude of its operations.

9.2.2.6. Inform the Board of Directors or equivalent authority, with the frequency indicated in this body the main aspects related to E&S risk management.

9.2.3. Responsibility of the Unit or Officer in charge

The administration or management of E&S risk may be in charge of a unit or official person in charge specialized in the matter, dependent on the Credit Risk Area, in accordance with the size of the FI, the nature and complexity of its products, processes and the magnitude of your operations.

You will have the following responsibilities:

9.2.3.1. Carry out their functions and tasks avoiding developing corresponding activities to other areas that may generate conflicts of interest with their function.

9.2.3.2. Participate in the design of the E&S Risk Management Policy and Manuals of A&S Practices and Procedures.

9.2.3.3. Apply the SARAS at the level of loan granting. To this end, they must assess the E&S risks inherent in said operation, discuss and negotiate the measures of E&S management with the client and monitor its performance.

9.2.3.4. Identify the training and dissemination needs for an adequate management of the E&S risk.

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9.2.3.5. Inform the authority on whom it depends of the detection of possible deficiencies that produce in the application of the policies, processes and procedures of the SARAS and propose their corrections.

9.2.3.6. Be primarily responsible for E&S evaluations and recommendations for conditionality that has been discussed with the Credit Committee.

9.2.3.7. Others that Senior Management deems necessary for the development of its functions.

9.3. E&S Practices and Procedures Manual

The Manual may include the following aspects:

9.3.1. Exclusion list: This point is usually included at the beginning of the practice manual and procedures. Includes specific activities to which an FI has decided not to provide financing, due to the degree of complexity of potential E&S impacts.

9.3.2. Risk categorization model: Classifies E&S risks and their impacts, includes the level of due diligence and the scope of mitigation planning required to each level. E&S risk levels range from low to high and will depend on the type and size of the credit, location, nature of the activity and the magnitude of its E&S impacts. The model can also define certain thresholds to exclude smaller transactions.

9.3.3. E&S due diligence procedure: This procedure is carried out after the risk categorization, and must describe in detail the steps to identify, assess, mitigate and monitor risks during the process of analysis and evaluation of the themselves, based on their assumed category. The manual should include clear guidelines on the responsibility of the staff, as well as a list of documents and forms necessary (for example, E&S reports from clients) during the process.

9.3.4. Decision-makers: Policies and procedures should include decision-makers decision-making authorities based on the level of risk, outcome analysis and other factors. It is essential to the decision-making process that the entire information is available in order to properly assess the risks.

9.3.5 Specific guidelines by sector: They depend on the sector where the FI operates. Must offer guidance - usually in a short document - for each sector of the economy (e.g. example, agricultural, livestock, agro-industrial, among others) in order to identify and manage the risks and impacts related to them. Guidelines should include risks potential, recommendations for mitigation, identification of opportunities for

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business and market, references to national legislation, as well as examples of good practices within each sector. They should be available to all FI staff. The Guidelines should be updated whenever the FI deems appropriate.
9.3.6. Monitoring model: FIs will be able to determine the type of monitoring that allows them verify, evaluate and detect the degree of compliance in relation to its E&S Policy and its SARAS.

9.4. Sustainability report
9.4.1. Customer E&S Report: This report should carefully document the different measures and decisions taken during the E&S due diligence process, as well as the conclusions and recommendations that arise as a result of it. This report enable credit analysts to systematically track E&S issues related to the client's activities during the credit process, and will provide them information to carry out an adequate monitoring of the project and have measures of mitigation.
9.4.2. Periodic E&S reports: In general, periodic (annual) reports should contain information on relevant matters related to E&S risks and their impacts on the portfolio of loans, which the FI has had to face throughout the year and must include the list of exclusion.

Article 10 - Integration of a SARAS in the credit cycle
To ensure a consistent and consistent application of an ESMS to the operations of a IF requires certain internal processes, as well as adherence to E&S requirements. The Procedures should cover the entire credit cycle and include collection and analysis of data, functions and responsibilities, expected results and key issues to be defined by each FI, which must be dealt with during the selection phases (analysis and categorization), due diligence, approval and supervision or monitoring.

10.1. Risk Analysis and Categorization
During the study phase of the granting of a loan, the scope and nature of the financial operation in order to analyze the request, comparing it with the list of exclusion of the FI, making a preliminary classification of its level of risk. Is The latter will determine the extent to which an assessment is required and define the E&S requirements to be implemented during the analysis.

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The FIs should consider in the analysis, the E&S risks that are generated in the activities and projects to be financed, based mainly on compliance with the current legal and regulatory provisions.

However, FIs must include E&S variables or criteria in the analysis process, granting and monitoring of credit, taking into account the magnitude of its impacts and risks, and the need to establish prevention, mitigation, correction and / or compensation.

For this, they may adopt a categorization of E&S Risks according to the risk levels to those that clients or projects are exposed to, ranging from High Risk to Low Risk, depending on the size of the financial operation, geographic location or environment where the client or project operates, and the magnitude of the potential impacts of the E&S risk.

The classification of these risks is defined below:
Category A (High Risk): Projects with potential risks and / or environmental impacts and significant adverse social effects that are diverse, irreversible, or unprecedented.
Projects or Clients who, due to different E&S characteristics, are categorized as high risk by the FIs that finance them, so they are subjected to a greater degree of more detailed research and analysis.
Category B (Medium Risk): Projects with potential risks and / or environmental impacts and limited adverse social conditions, which are few in number, generally located in sites specific, mostly reversible and easily accessible through measures of mitigation.
Projects or Clients who, due to different E&S characteristics, are categorized as moderate risk by the FIs that finance them, require some research, clarification by part of the clients and when necessary, mitigation.
Category C (Low Risk): Projects that involve risks and / or environmental impacts and minimal or no adverse social conditions.
Projects or Clients who, due to their different E&S characteristics, are categorized as low risk from the FIs that finance them, which receive little or no detailed review.

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10.2. Due diligence A&S
During the review process, the FI may analyze the nature and scope of the operations of a client, using E&S reporting forms, checklists and industry guidelines. Due diligence can range from a minimal documentary control, conducting questionnaires, up to on-site visits added to a thorough evaluation and the analysis by technical experts in the field. Based on the review, the FI will be able to determine the requirements and include them in an E&S Management Plan.

The objectives of due diligence are:

- Identify and evaluate possible impacts and E&S problems associated with credit requested.
- Measure the knowledge, commitment and ability of the client to manage responsible for the E&S risks inherent in your business activities.
- Evaluate the client's measures to mitigate or compensate for the adverse impacts that affect workers, communities and the environment.
- Identify any area of non-compliance of the client, related to the environment environment, health, safety and labor laws and other applicable standards and define corrective measures if necessary.
- Verify that the loan documentation includes definitions, agreements, clauses and associated elements that oblige the client to comply with all the A&S regulations.

10.3. Approval:
After the due diligence exercise, the documentation of the request for credit, with E&S risks clearly defined, and is submitted to the Committee for approval Credit of the FI and / or the body responsible for decisions.

For credit applications with category C (LOW Risk) the FI could consider unnecessary new measures. For transactions with category A and B (HIGH Risk and MEDIUM respectively), risks can be identified that should be mitigated, for which will be able to develop a corrective E&S Management Plan that identifies them, is detail the mitigation measures, the implementation schedule and the person responsible for their monitoring and compliance, among others that the FI deems necessary.

The approval entails the negotiation of a loan agreement and the respective Plan of Management between the FI and the client, which will include the E&S requirements, as well as the provisions on reporting and supervision.

The approval phase includes the following:
- E&S Management Plan: The plan describes in detail the necessary actions, with their respective deadlines and deliverables, so that the client complies with the adaptation mechanism of the agreed E&S requirements.
- Legal clauses: the clauses must include clear provisions on non-compliance, and criteria of responsibility between the client and the FI. The client will undertake to comply with the E&S management plan requirements.
- Compliance reports: Once the credit is approved, the client will commit to periodically report to the FI on compliance with the E&S Management Plan in accordance with the established schedule.

10.4. Monitoring and evaluation:

E&S risks or compliance status may change from the time of the approval.

In that sense, the purpose of monitoring a client's E&S performance is to evaluate the existing and emerging risks associated with its operations during the credit operation. Once it has been approved, the FI must verify the continuous compliance of the client with the A&S clauses stipulated in the legal agreement.

If after the approval of the loan by the FI, the legal and regulatory provisions A&S undergoes modifications, the customer's operations or production processes could vary in a way that aggravates the previously identified risks, for which the client or funded project could present new E&S risks. Managing E&S risks emerging after credit approval guarantees effective risk management A&S at the portfolio level.

The FI ESMS shall explain the systematic monitoring process on a regular basis, through the implementation of procedures that serve to verify compliance with

E&S requirements, must include the implementation of any E&S Management Plan corrective to resolve non-compliances. The frequency and degree of monitoring it will depend on the complexity of the E&S problems associated with the operations.

The monitoring process comprises a series of measures adopted by the FI to control compliance with the client's E&S performance, such as: on-site visits, verification of documentation, etc.

The monitoring process involves, among others, the following actions:

- Evaluation of the implementation of any mitigation measure specified in the Corrective E&S Management Plan.
- Control of the validity of permits, ratings and A&S licenses.
- Verification of fines and penalties for non-compliance with E&S regulations.
- Review of recent reports from the regulator or the supervisory authority that confirm compliance with applicable regulations.
- Review of E&S facts that include associated major accidents or incidents with customer operations.
- Media attention to E&S problems related to the client.
- Attention to any complaint presented by interested parties about a client.

Failure to comply with the clauses stipulated in the legal agreement implies that the FI must follow up with the client, in such a way that they can be solved in a timely manner reasonable.

Depending on the complexity of the E&S problems associated with the operations of the client, FI staff should require a new E&S Management Plan and / or reports periodicals on E&S performance during the duration of the credit granted. The frequency Reporting should be tailored to each individual operation and should be based on self-control by the client or supervision by independent third parties and / or regulatory authorities.

File N ° 13982/18

Minutes N ° 78 dated November 22, 2018.-

RESOLUTION N ° 8.-

SUPERINTENDENCY OF BANKS - GUIDE FOR RISK MANAGEMENT ENVIRONMENTAL AND SOCIAL FOR REGULATED ENTITIES AND SUPERVISED BY THE CENTRAL BANK OF PARAGUAY.-

Article 11 - Disclosure of Information
FIs should disclose sufficient information about their policies, processes and procedures of E&S Risk Management, so that market participants can evaluate their approach to managing such risk.

Article 12 - Internal Audit
The Internal Audit Unit must evaluate compliance with the Policies and procedures established for E&S Risk Management and these regulations. This evaluation must be included in the permanent activities of the Annual Plan of Internal Audit, which must make the reports and recommendations that derive of said evaluation.

Article 13 - Supervision
The Superintendency of Banks (SB) will periodically evaluate the progress implemented by FIs, for their adaptation to the guidelines established in this provision. Likewise, the SB may request the information it deems necessary to adequate supervision of the E&S risk of FIs.

[RA]