IDB Invest

Impact in Action

ANNUAL REPORT 2022

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2016-2022 Development Impact[1]

507,006 JOBS SUPPORTED

4,772.12 MW INSTALLED POWER

12.38 mill. tons REDUCTION OF EMISSIONS

2,104,596 MSMEs FINANCED

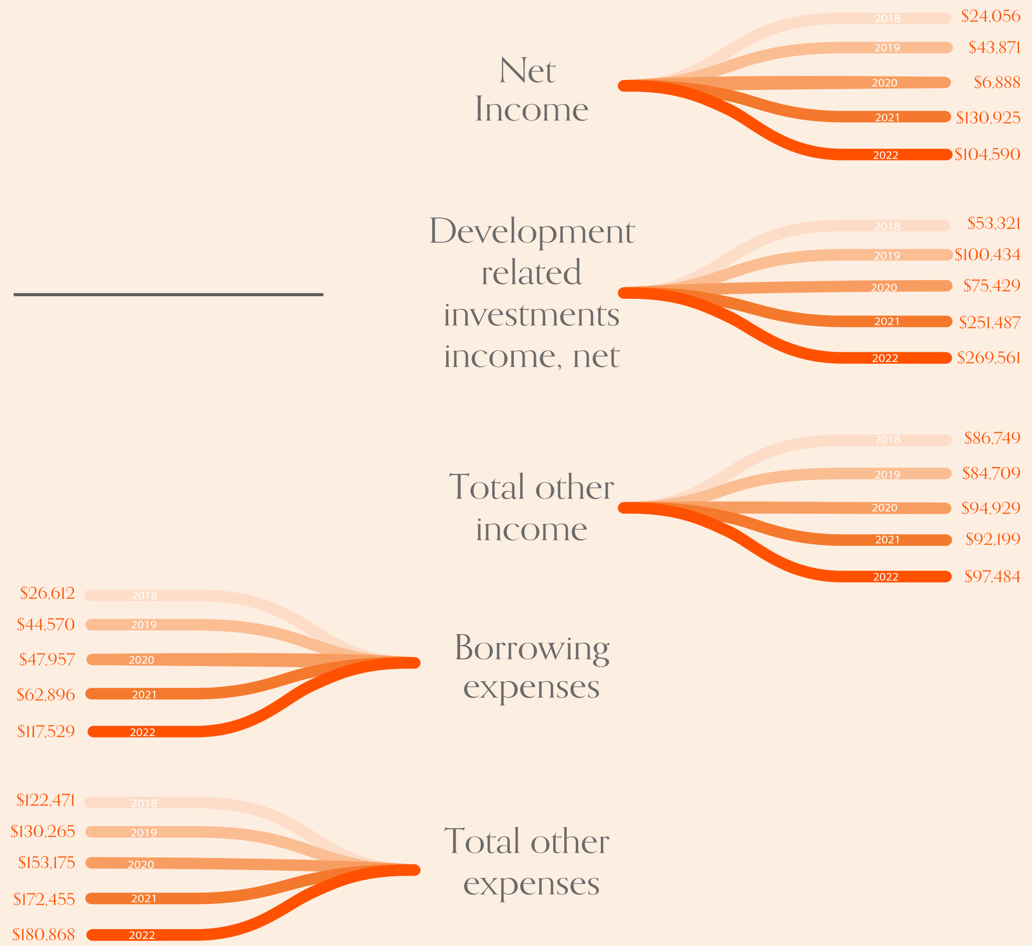
168,754 WOMEN BENEFICIARIES

163,917 TRAINING BENEFICIARIES

1 Annual impact results reporting cycle concludes in May 2022. IDB Invest reports the latest results available, which capture 2016 to 2021.

IDB Invest Financial Summary 2018-2022[2]

Income Statement



Balance Sheet

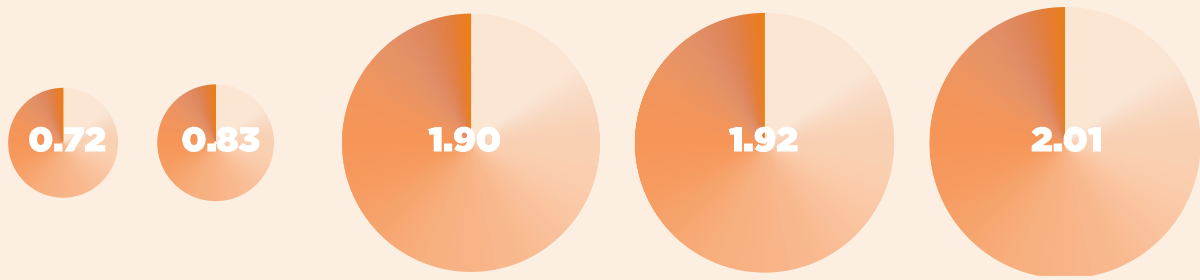
Total Assets in Billions

2018	2019	2020	2021	2022
$3.2	**$3.9**	**$6.4**	**$7.6**	**$9.4**

	2018	2019	2020	2021	2022
Development related investments, net	$1,690,355	$2,445,809	$4,176,889	$5,383,830	$6,207,178
Liquid assets	$1,469,446	$1,360,413	$2,120,628	$1,957,960	$2,586,159
Borrowings	$1,286,372	$1,648,146	$3,908,457	$4,612,629	$5,784,297
Total capital	$1,819,250	$2,033,062	$2,108,214	$2,474,774	$2,964,362

Ratios

Leverage ratio



2 For more information, refer to IDB Invest's Annual Information Statement for the full set of audited financial statements published on the Investor Portal of IDB Invest's website https://www.idbinvest.org/en/investors.

A Note from the President

As I begin my presidency of this great institution, I look forward to our work together to make IDB Invest, as part of the IDB Group, an even more trusted, more effective, more innovative partner for our member countries.

I am happy to present to you the 2022 Annual Report.

Thank you,

Ilan Goldfajn

Letter from the CEO

This Annual Report speaks to the resilience both Latin America and the Caribbean and IDB Invest showed in 2022. During a year marked by a waning pandemic, higher inflation, rising interest rates, Russia's war on Ukraine and global supply chain disruptions, we provided crucial countercyclical support to help the region recover.

In doing so, IDB Invest had a record year in terms of mobilization volume, support to Small and Island Countries and product innovation and execution. We focused on climate, inclusion and digitalization. Climate change continued to dim the region's outlook, as it exacerbated weather-related emergencies and hurt crop yields. These challenges underscore the urgency to adapt to and mitigate the effects of climate change through nature-based solutions and climate-smart infrastructure and agriculture.

The region also experienced the growth limitations of exclusion. Supporting our clients means promoting gender equity and diversity inclusion as both moral and business imperatives. We innovated through thematic bonds, de-risking solutions and advisory services. Lastly, we doubled down on narrowing the region's longstanding digital divide. Closing the connectivity gap enhances people's and businesses' ability to tackle present and looming problems.

As we look ahead, the future holds immense possibilities. Even amid the world's current polycrisis, Latin America and the Caribbean is strategically poised to pursue sustainable and inclusive growth. We see three key areas of focus for 2023: We see an opportunity to work upstream and downstream to develop bankable projects that narrow gaps in investment, inclusive access and climate adaptation and mitigation.

We also see potential in capital markets to originate-to-share our portfolio, positioning IDB Invest as the connector between global and local investors, projects and end-beneficiaries. Investor interest in sustainable finance is soaring. In a global scenario marked by uncertainty, we mitigate risks and provide relative comfort to invest in the region.

Finally, we look to our partners and shareholders to multiply our impact. In response to the global push for greater transparency and harmonization in measuring and reporting results, our development framework will allow us to be more effective, and to share the knowledge we generate more broadly.

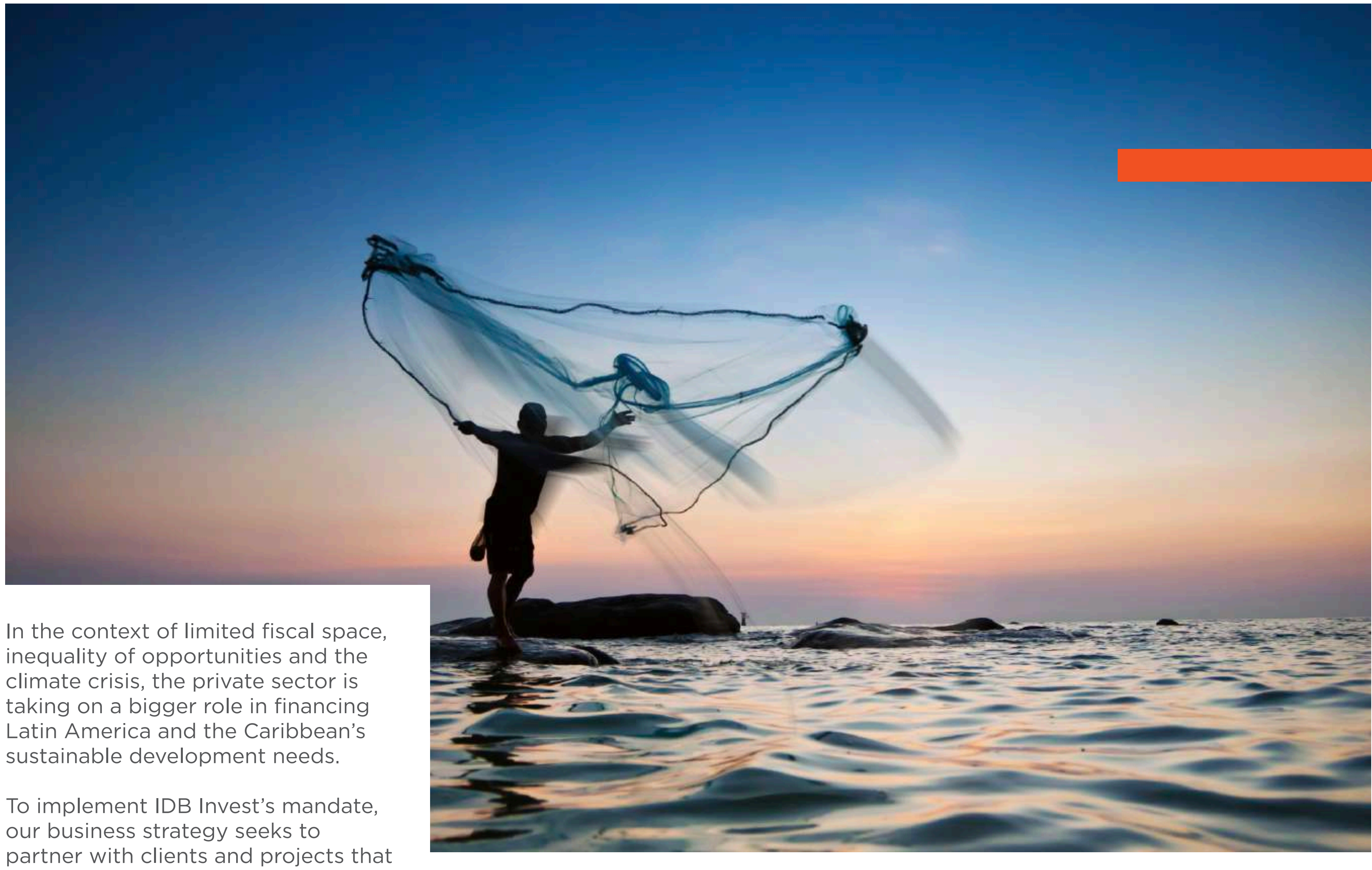
In sum, this is the moment for action. IDB Invest stands ready to act. We are the conduit to attract more resources to the region to achieve and scale sustainable impact.

Sincerely,

James P. Scriven

This is the moment for action

Action through Clients & Partners



In the context of limited fiscal space, inequality of opportunities and the climate crisis, the private sector is taking on a bigger role in financing Latin America and the Caribbean's sustainable development needs.

To implement IDB Invest's mandate, our business strategy seeks to partner with clients and projects that will allow us to attract more investors and maximize our impact.

IDB Invest enjoyed another banner year in 2022, making the most of our own assets and mobilizing additional resources beyond our original targets, despite complex market conditions. Last year, total activity reached $8.3 billion, which included $2.7 billion in long-term commitments, $3.9 billion in short-term commitments and a record $3.1 billion in mobilization.[3] Total assets under management reached $18.65 billion.

Our end-to-end Impact Management Framework serves as an industry benchmark in how to monitor, measure and evaluate project development impact results. It allows us to guide our origination efforts towards development priorities and assess and track the impact achieved together with our clients and partners.

Working with the private sector, IDB Invest has carved a growing niche for impact investing, sometimes acting as sole or anchor investor and guaranteeing debt issues, sometimes bringing third-party endorsement to the table. This is achieved while maintaining a solid financial position.

In terms of development impact, we continue to measure metrics such as employment supported (507,000 jobs), MSMEs financed (2.1 million businesses) and megawatts of installed power from renewable sources (4,800 MW) since 2016.

The quality of the operational program execution in 2022 was reflected in the key cross-cutting results, with 33% of total commitments directed to support MSMEs, 37% of transactions executed with a Gender, Diversity and Inclusion component and climate financing reached 29% of our total own-account commitments.

In terms of geographical diversification, 42% of IDB Invest outstanding portfolio was allocated to C&D countries.

We also exceeded our targets for lending in Small and Island (S&I) countries. The total volume involved was $679.3 million, representing 10.2% of IDB Invest's total business. This was comprised of 19 long-term transactions in 8 countries for $284.2 million, plus short-term S&I volume for the year of $395 million.

If we look at the entire universe of so-called "thematic bonds" – green, social and sustainability-linked, as well as sustainable – we have contributed to structuring and underwriting 30 such bond issues as of the end of 2022, all the while advising our clients on best practices and helping to develop the market.

In 2022, IDB Invest issued $2.4 billion of bonds in the global capital market denominated in five different currencies, including $2.1 billion inaugural sustainability bond in April, its inaugural euro denominated social bond with a nominal amount of $650 million euros, its first green bond in the Australian market as well as thematic bonds targeting SMEs in value chains, blue projects, and the first silver economy bond promoting the financial inclusion of senior citizens.

These milestones were reached as we continue to grow our business, innovate our products and services to promote sustainability and originate and share more of our portfolio with investors.

> The total volume involved in S&I transactions was $679.3 million.

3 Total activity is the sum of own account commitments and core mobilization net of unfunded mobilization.

Strategic Sectors

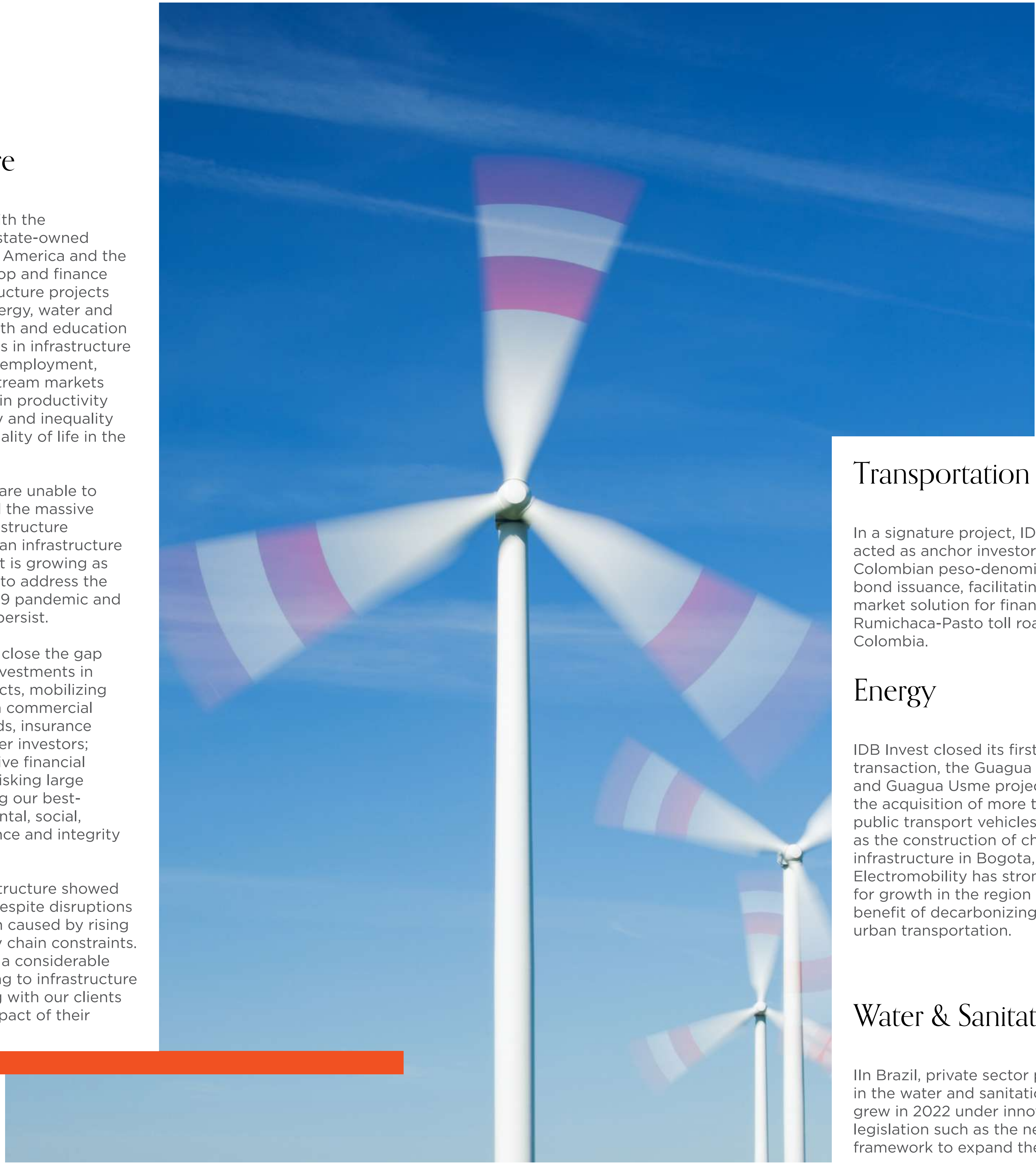
Infrastructure

IDB Invest works with the private sector and state-owned enterprises in Latin America and the Caribbean to develop and finance sustainable infrastructure projects in the transport, energy, water and sanitation, and health and education sectors. Investments in infrastructure facilitate growth in employment, the creation of upstream markets and improvements in productivity that reduce poverty and inequality and improve the quality of life in the region.

Most governments are unable to independently fund the massive investments in infrastructure needed, leading to an infrastructure investment gap that is growing as the fiscal demands to address the impacts of COVID-19 pandemic and the war in Ukraine persist.

IDB Invest seeks to close the gap by making direct investments in infrastructure projects, mobilizing private capital from commercial banks, pension funds, insurance companies and other investors; developing innovative financial structures and de-risking large projects by applying our best-practice environmental, social, corporate governance and integrity policies.

During 2022, infrastructure showed signs of recovery, despite disruptions in project execution caused by rising inflation and supply chain constraints. IDB Invest devoted a considerable portion of its lending to infrastructure projects, partnering with our clients to maximize the impact of their investments.



Transportation

In a signature project, IDB Invest acted as anchor investor for a global Colombian peso-denominated social bond issuance, facilitating a capital market solution for financing the Rumichaca-Pasto toll road project in Colombia.

Energy

IDB Invest closed its first electric bus transaction, the Guagua Fontibón and Guagua Usme projects, funding the acquisition of more than 400 public transport vehicles as well as the construction of charging infrastructure in Bogota, Colombia. Electromobility has strong potential for growth in the region with the benefit of decarbonizing modes of urban transportation.

Water & Sanitation

IIn Brazil, private sector participation in the water and sanitation sector grew in 2022 under innovative legislation such as the new framework to expand the supply of water and basic sanitation services. IDB Invest provided a loan to SABESP, the state of Sao Paulo utility, to help finance a multi-phase effort to expand its sewerage network.

Social Infrastructure

The COVID pandemic highlighted the region's need to boost investment in social infrastructure to improve basic services such as education and healthcare. In 2022, IDB Invest provided a loan to Hospital Israelita Albert Einstein for the construction of a state-of-the-art oncology facility in Sao Paulo, Brazil. IDB Invest had provided local currency financing to the non-profit hospital after it used its own resources to expand its capacity during the pandemic.

Financial Institutions

The region's financial markets showed resilience in the face of the pandemic, and progress was made in access to financial services. Market trends suggest that loan portfolios are starting to grow while profitability is recovering.

More financial institutions are incorporating sustainability into their business strategy, both as part of their risk assessment and of their value proposition. In this context, strengthening and expanding the financial sector through sustainable long-term solutions, both financially and non-financially, is a key focus for IDB Invest.

For example, IDB Invest provided Banco Continental in Paraguay funding to grow the bank's green portfolio, mobilizing funds from international institutional investors and providing advisory services to develop the bank's sustainability strategy, such as adopting the recommendations of the Task Force on Climate-related Financial Disclosures.

Another milestone included partnerships in Colombia to promote the circular economy agenda in the financial system.

> Through joint technical assistance with the IDB, guidelines were developed for three Colombian banks, Banco de Bogotá, Bancolombia and Bancoldex, to create a taxonomy for the circular economy.

Furthermore, it has been a priority for IDB Invest to foster the financial inclusion of vulnerable populations, including retirees, women, indigenous peoples, and migrants. There were eight financial inclusion commitments in 2022 valued at $265 million.

For example, IDB Invest supported the launch of a social bond for gender and inclusion issued by Banco Solidario, one of Ecuador's largest banks dedicated to microfinance. This deal paves the way for the capital markets to increasingly fund microenterprises owned by low-income women and the elderly, while advancing the financial inclusion of migrant populations.

To support the financial inclusion of women-led MSMEs, IDB Invest launched new gender-focused financial products, such as thematic bonds and investment funds. In partnership with the Women's Entrepreneurship Finance Initiative, IDB Invest provided direct support to help financial institutions identify and develop their women-led MSME portfolios and create market intelligence, for example through surveys, as well as support for regulators and banking associations. IDB Invest piloted this in Honduras with the IDB, local banks and the National Banking and Insurance Commission.

The development of new asset classes and the focus on thematic bonds remain priorities. As such, IDB Invest supported the first issuance of a sustainability-linked bond by a financial institution in the region through Bancolombia, and the issuance of the first social bond in the Caribbean through HMB. Similarly, another innovative product structure was deployed through Banistmo, with a portfolio guarantee to support the recovery of the tourism sector in Panama by facilitating access to financing after the pandemic.

Investment Funds

IDB Invest continued its partnership with fund managers to address some of the region's most pressing development issues. We prioritized investment funds focused on the development of the nascent private debt asset class, financial inclusion, innovation, technology, climate, water and food security. IDB Invest maximized IDB Group's impact by collaborating with IDB Lab on the growth and expansion stages of the investment fund ecosystem.

For example, IDB Invest participated in Aqua Capital Fund III, a regional private equity fund launched by the leading agriculture and food fund manager Aqua Capital, which was originally started with IDB Lab's support. The fund promotes digitalization, sustainability, climate change mitigation and regional integration in agriculture, with an expected positive impact on food security.

> IDB Invest played a catalytic role in bringing investors to the fund and will also provide technical assistance to strengthen climate and sustainability practices.

The market continues to demand more transparency, accountability and improved sustainability practices. IDB Invest worked with regulators and banking associations to help create capabilities with the potential of having a systemic impact and to boost sector performance.

Corporates

IDB Invest promotes sustainable and inclusive business models in a variety of corporate sectors: agribusiness, manufacturing, digital economy, and tourism. In 2022 we saw increased demand from companies seeking to include smaller stakeholders in their value chains or adapt to climate change, particularly through climate-smart and circular economy practices and energy efficiency measures.

We were able to provide innovative solutions, combining new financial structures with mobilization capabilities, advisory services and blended finance. While digitalization remained a top priority for all sectors, we also experienced a strong demand for working capital, as certain industries faced rising costs and lower risk appetites from commercial banks.

Agribusiness

Higher fuel and input prices hampered agribusinesses during 2022, forcing many firms to put investment plans on hold. Nevertheless, IDB Invest continued to provide financing for capital expenditures in climate-smart agriculture projects focused on boosting output and productivity as well as to strengthen food security and increase exports and jobs in rural areas. We also noticed stronger demand for short- and long-term financing for working capital, as commercial banks that traditionally backed agribusiness shied away from the sector. IDB Invest focused on providing solutions that could also benefit small-scale farmers.

In Belize, we closed a $5 million loan for Marie Sharp Fine Foods Limited, the country's largest pepper and hot sauce producer and exporter. This women-led venture highlights an inclusive business model with a high potential for growth.

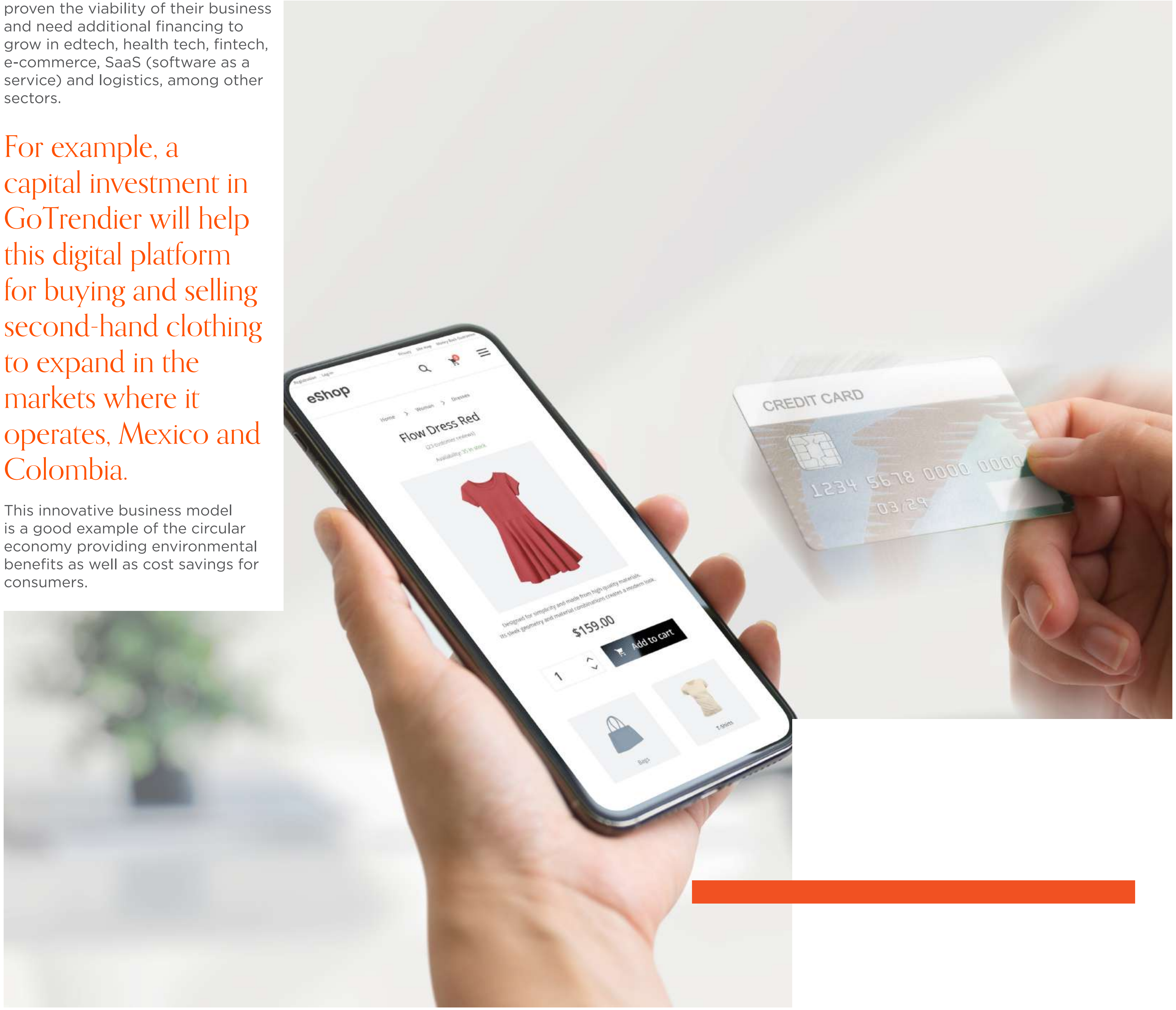
Digital Economy

To harvest the growth, productivity, inclusion, and innovation promised by digitalization, the region needs to invest more in its digital infrastructure. During 2022, IDB Invest's digital economy portfolio supported the expansion of broadband connectivity to benefit corporates and end-users alongside programs to ensure the affordability of services and devices.

We invested $10 million in Valor Opportunity Fund II, an investment vehicle with a $250 million target size designed to provide growth capital to innovative and technological startups in Latin America. Among its investee companies, the fund will support young medium-sized firms that have proven the viability of their business and need additional financing to grow in edtech, health tech, fintech, e-commerce, SaaS (software as a service) and logistics, among other sectors.

> For example, a capital investment in GoTrendier will help this digital platform for buying and selling second-hand clothing to expand in the markets where it operates, Mexico and Colombia.

This innovative business model is a good example of the circular economy providing environmental benefits as well as cost savings for consumers.



Tourism

Tourism is gradually recovering from the pandemic, albeit at disparate rates. The leisure segment has largely returned to its pre-2020 levels while the corporate segment is still lagging.

This imbalance strains the sector's liquidity, especially as commercial banks remain reluctant to increase their exposure to a battered industry. Other priorities leave regional governments with few tools to support tourism, increasing the pressure on the private sector to advance the recovery agenda.

IDB Invest has taken a leadership role in supporting the tourism sector by providing credit guarantees and other financial solutions, seeking to have a demonstration effect for commercial banks. As hotel developers revisit greenfield projects, our countercyclical role is a testament to our commitment to finance high-impact projects featuring innovative nature conservancy elements.

With our support, Explora is creating of a 6,000-hectare land conservation reserve adjacent to Chile's Torres del Paine park, where they will preserve and regenerate ecosystems affected by past cattle ranching. Approximately 99% of the land will be devoted to conservation and protection, while the remaining 1% will feature for-profit sustainable hospitality concepts.

Manufacturing

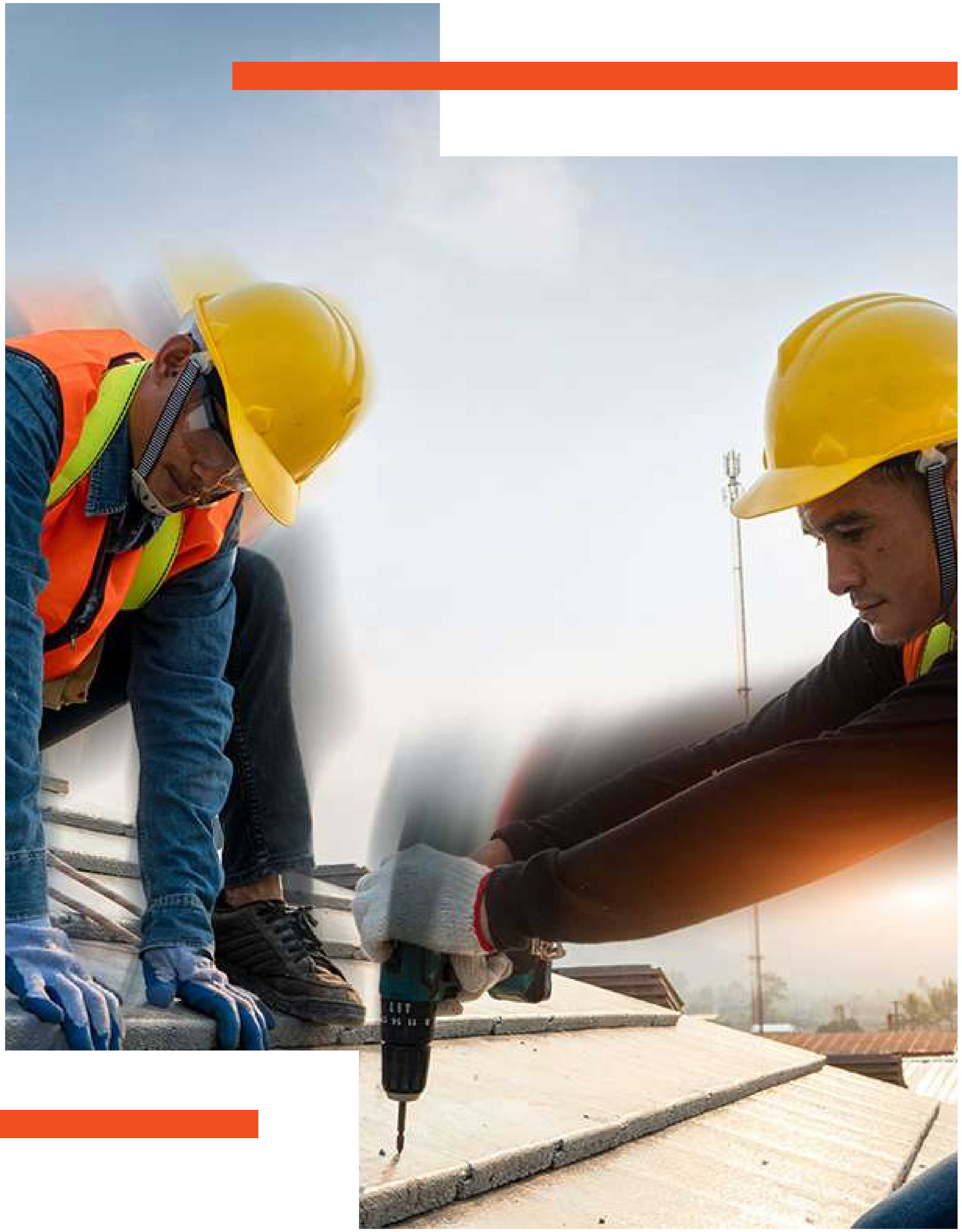
The region's manufacturing sector faced a tough 2022. New investments were delayed as input costs rose and demand showed mixed behaviors. While some players experienced supply chain disruptions, other industries, such as housing, pharmaceuticals, and textiles, saw stronger demand.

IDB Invest focused on manufacturing companies and projects committed to sustainability and inclusion, financing investments using thematic bonds and providing liquidity relief through specialized products such as accounts payable and reverse factoring facilities.

With our support, Los Portales, a Peruvian company, issued its country's first social bond for housing. The proceeds will finance urban development projects and social housing for vulnerable populations, impacting more than 6,800 families per year.

Our strategy supports job creation, small business value chains, productivity gains, electromobility, circular economy, improved energy efficiency, social housing, regional integration and exports. In 2022, we financed projects in pharmaceutical and vaccine production, textile manufacturing, plastic bottle recycling, recyclable pallet manufacturing and housing development.

We provided a BRL 526 million loan to the Brazilian biological research organization Fundação Butantan to finance the construction and operation of two factories to produce vaccines, including those against COVID-19 and influenza. With this project, the production capacity of some vaccines could be tripled.



Our Value as a Co-Investor (Financial Products)

Global development assets under management have soared in the past decade and there is a growing interest among investors in sustainable finance. When traditional investors lack the expertise required to originate, IDB Invest provides solutions to innovate, de-risk and bring comfort to newcomers to development finance.

IDB Invest acts as lender of record, administers the entire loan and shares its preferred creditor status with investors through a participation agreement.

Through its B-Bond structure, IDB Invest can reach a broader investor base by including firms that can invest only in securities, rather than regular loans. Notes may obtain higher credit rating because of IDB Invest's preferred creditor status, and such investments tend to have a longer tenor than B-loans.

IDB's mobilization products provide advantages to clients as well. Access to an A/B loan—one that includes financing from both IDB Invest and other investors—may mean they can complete their entire financial package in one place, often with longer tenors than with regular bank loans.

In 2022, IDB Invest mobilized a new record of $3.1 billion Third-party

Short-term mobilization

2022

$122 Loan participations[4]

$10 Co-financing arrangements

$737 Unfunded participations[4]

$869 Total short-term mobilization

2021

$127 Loan participations[4]

- Co-financing arrangements

$51 Unfunded participations[4]

$178 Total short-term mobilization

Long-term mobilization

2022

$843 Loan participations[4]

$1,479 Co-financing arrangements

$478 Unfunded participations[4]

$2,232 Total long-term mobilization

2021

$1,068 Loan participations[4]

$638 Co-financing arrangements

$526 Unfunded participations[4]

$2,800 Total long-term mobilization

$3,101 2022 Total mobilization[7]

$2,978 2021 Total mobilization[7]

6. As of December 31, 2022, A-loan participations and unfunded participations covered $155.0 million and $1,262.1 million of Total combined commitments, respectively, (zero and $529.4 million December 31, 2021)
7. In 2022, IDB Invest refined its mobilization definition related to revolving TSCF products, resulting in a slight change from the previously disclosed FY2021 figure of $2,972.4 million.

investors participated in 74 operations, up from 56 deals in the previous year. The new transactions included eight new investors, expanding our roster of active investor relationships to 181, with an emphasis on partners who prioritize green, gender and diversity and/or inclusion impacts.

Mobilization Products

Highlights from 2022 include:

1. Refined tools to boost sales of participations and assignments in the secondary market.
2. Developed an unfunded risk facility to mobilize investors in local currency transactions.
3. Streamlined the process for risk transfers via credit insurance.
4. Rolled out the next generation of the B-bond for broad distribution.

To pilot a project model of originate-to-share, IDB Invest supported Punta Lomitas, a project to build Peru's largest wind farm. IDB Invest led the effort to provide the sponsor, ENGIE Energía Peru, a $300 million financing package that included $100 million from the Dutch development bank FMO and $55 million from BNP Paribas of France.

Loans

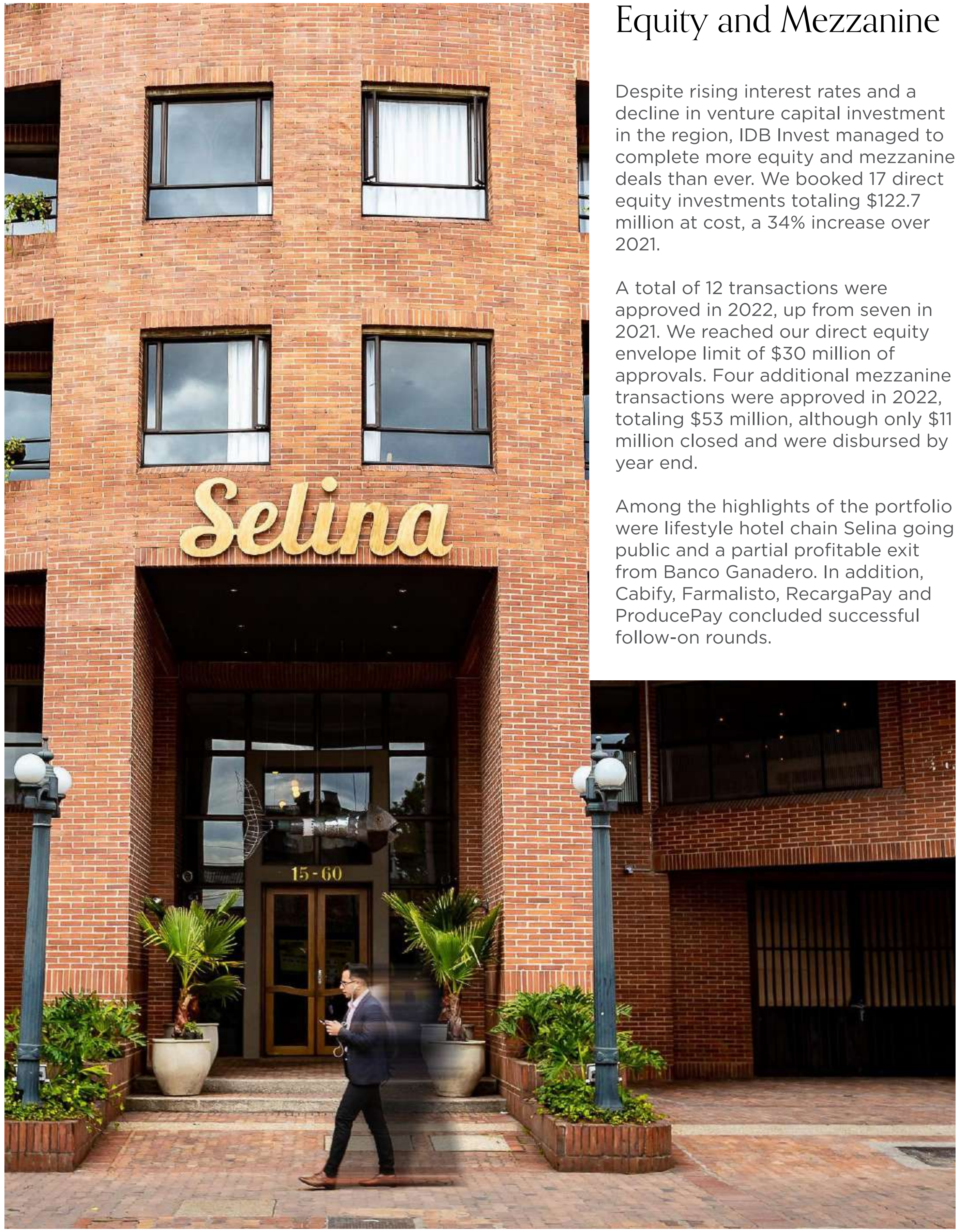
IDB Invest offers loans at market-based rates, in U.S. dollars and select local currencies, with terms and tenors aligned with client needs and investment requirements.

Debt Capital Markets and Structured Finance

IDB Invest subscribes bonds, notes and other debt securities issued by clients. In recent years, IDB Invest has developed a strong market position supporting clients issuing thematic bonds. Despite persistent market volatility, rising interest rates and bond issuance slowdown, IDB Invest succeeded in disbursing a record $1.4 billion raised through 15 project bond issuances. This 2022 total included $943 million from our own resources and $459 million from private capital.

IDB Invest consolidated its position as a leader in supporting client funding through their issuance of sustainable, social, green and blue bonds. Highlights include:

1. A risk mitigation facility created with the government of Panama to guarantee loan portfolios for the tourism sector. Banistmo was the first signatory of the credit line, with a guarantee of up to $80 million.
2. The first sustainability-linked bond launched by a financial institution in the region, a COP 650 billion issue that Bancolombia will use to provide credit to more than 1.5 million unbanked people.
3. The largest infrastructure social bond in the region, which helped raise $800 million for the Pasto-Rumichaca toll highway in Colombia. The deal won the Infrastructure Financing of the Year award from LatinFinance.
4. A proof-of-concept project using blockchain technology and smart contracts to issue a bond –the first of its kind in the region– for Colombian bank Davivienda.



Equity and Mezzanine

Despite rising interest rates and a decline in venture capital investment in the region, IDB Invest managed to complete more equity and mezzanine deals than ever. We booked 17 direct equity investments totaling $122.7 million at cost, a 34% increase over 2021.

A total of 12 transactions were approved in 2022, up from seven in 2021. We reached our direct equity envelope limit of $30 million of approvals. Four additional mezzanine transactions were approved in 2022, totaling $53 million, although only $11 million closed and were disbursed by year end.

Among the highlights of the portfolio were lifestyle hotel chain Selina going public and a partial profitable exit from Banco Ganadero. In addition, Cabify, Farmalisto, RecargaPay and ProducePay concluded successful follow-on rounds.

Trade & Supply Chain Finance

IDB Invest set new records for trade and supply chain operations in 2022. Annual highlights include:

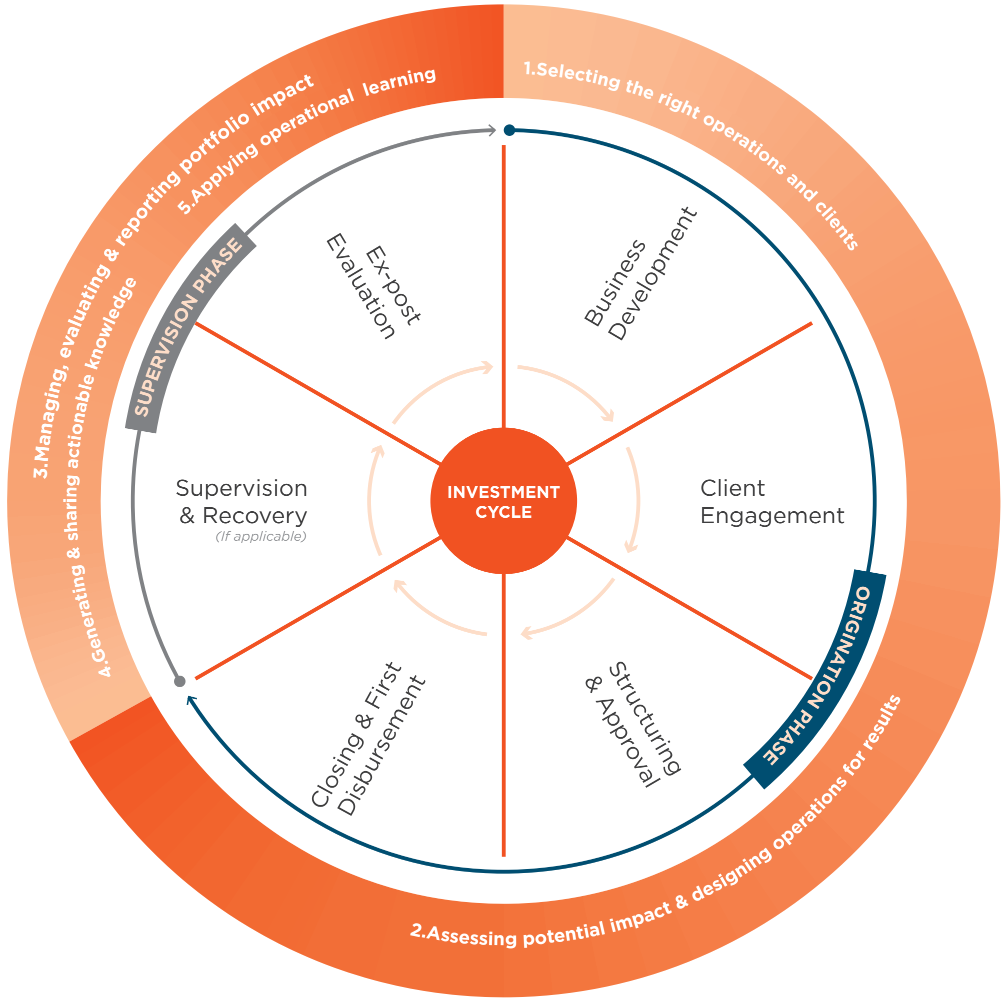
1. Record volume of $4.3 billion ($ 2.2 billion for trade and $2.2 billion for supply chains), 4.5 times more than in 2017, with a balanced participation of 49% for banks and 51% for corporates.
2. Added 20 new clients, reaching a total of 91 development connectors.
3. Served clients in 22 countries, including some of the more vulnerable such as Guyana, Haiti, and Suriname.
4. First Sustainable Supply Chain Finance (SSCF) pilot approved by the Board.
5. First pilot approved for new product: Unfunded Master Participation for Reverse Factoring.
6. TFFP and TSCF thematic loans:
   a. Food security: $484 million (TFFP)
   b. MSME: $1.5 billion ($652 million TFFP / $850 million TSCF). Over 76% of the volume of MSMEs come from TSCF Short-Term disbursements.
7. Helped finance the purchase of mobile phones and the payment of electricity bills for 3 million individuals, households and businesses.
8. Provided liquidity for 1,500 small businesses by disbursing nearly $700 million for reverse factoring programs.
9. Assigned 39% of our lending volume to clients in C&D countries.
10. Reached for the first time the 10% mark in lending to clients in Small & Island nations.
11. Mobilized a record $922 million in additional resources for trade and supply chain finance.

Blended Finance

IDB Invest uses blended finance to help clients embrace and achieve more ambitious sustainable development targets. During 2022 we committed $52 million in blended finance to seven projects backed by $335 million of our regular lending and $542 million from other partners.

IDB Invest's development-related investment cycle consists of two phases: the origination phase and the supervision phase. The origination phase begins with business development and client engagement and proceeds through transaction approval, followed by closing, commitment and first disbursement. The supervision phase entails client supervision and, if applicable, recovery, and concludes with an ex-post evaluation after financial maturity. IDB Invest's

IDB Invest's Integrated Development-Related Investment Cycle Reflects Our Dual Mandate



Impact Management Framework and environmental, social and corporate governance (ESG) aspects are integrated into the investment cycle.

Origination Phase

The business development and client engagement stages involve the identification of eligible clients and projects consistent with IDB Invest's Strategic Selectivity Scorecard, enabling IDB Invest to steer origination towards development priority areas identified through the country strategy process, as well as other corporate priorities.

On the path to approval, the investment team, which includes investment officers, credit analysts, development effectiveness experts, ESG experts and lawyers, performs due diligence. This phase includes structuring, conducting an ex-ante impact assessment using the DELTA Impact Rating System and analyzing risks in preparation for approval.

The DELTA is part of the Impact Management Framework, which allows IDB Invest to maximize development impact and contribute to reaching the UN Sustainable Development Goals in the region. The DELTA score is a key decision-making factor in IDB Invest's portfolio approach, together with the Financial Contribution Rating, which assesses each development-related investment's contribution to IDB Invest's long-term financial sustainability based on the risk-adjusted return on capital (RAROC) at the project level and at the portfolio level. The Board of Executive Directors approves each development-related investment, with certain exceptions where this authority has been delegated to Management.

After approval, the investment team proceeds to the closing stage, in which the financial documents are signed. The origination phase ends with the development-related investment's first disbursement, which is subject to the fulfillment of conditions set forth in the financial documents.

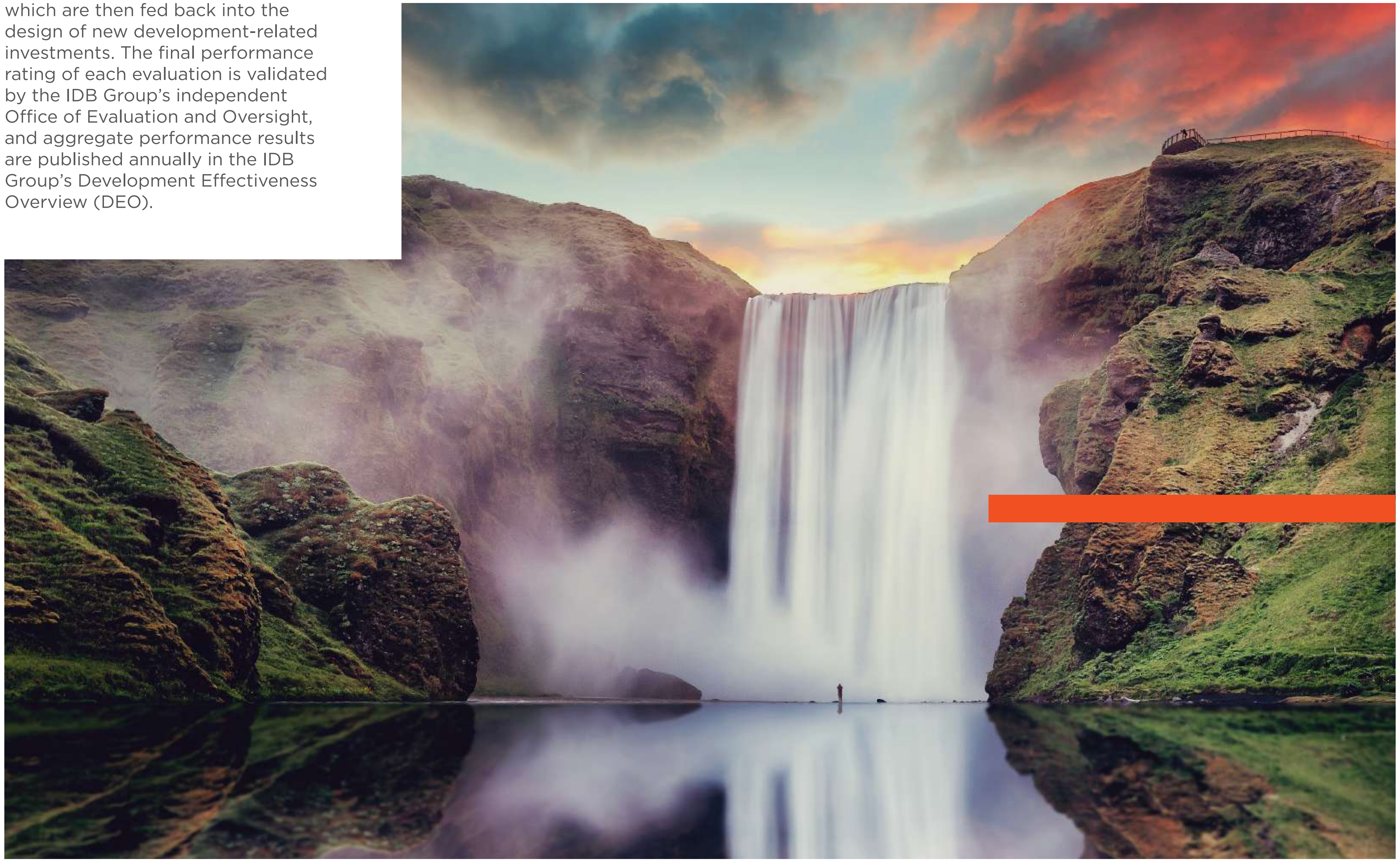
Supervision Phase

The supervision phase includes the supervision and, if applicable, recovery stage, as well as the ex-post evaluation. During supervision, IDB Invest closely monitors projects to identify events and circumstances that could adversely affect performance and to take corrective action proactively. This includes tracking compliance with financial covenants and assessing credit performance and ESG requirements. The DELTA score is also used during the supervision phase to track and measure progress against the achievement of impact targets set at approval, including the investment's contribution to specific SDG targets, and to identify areas where clients may need additional support to reach development objectives. The DELTA score assigned at origination is updated annually based on the investment's ongoing performance.

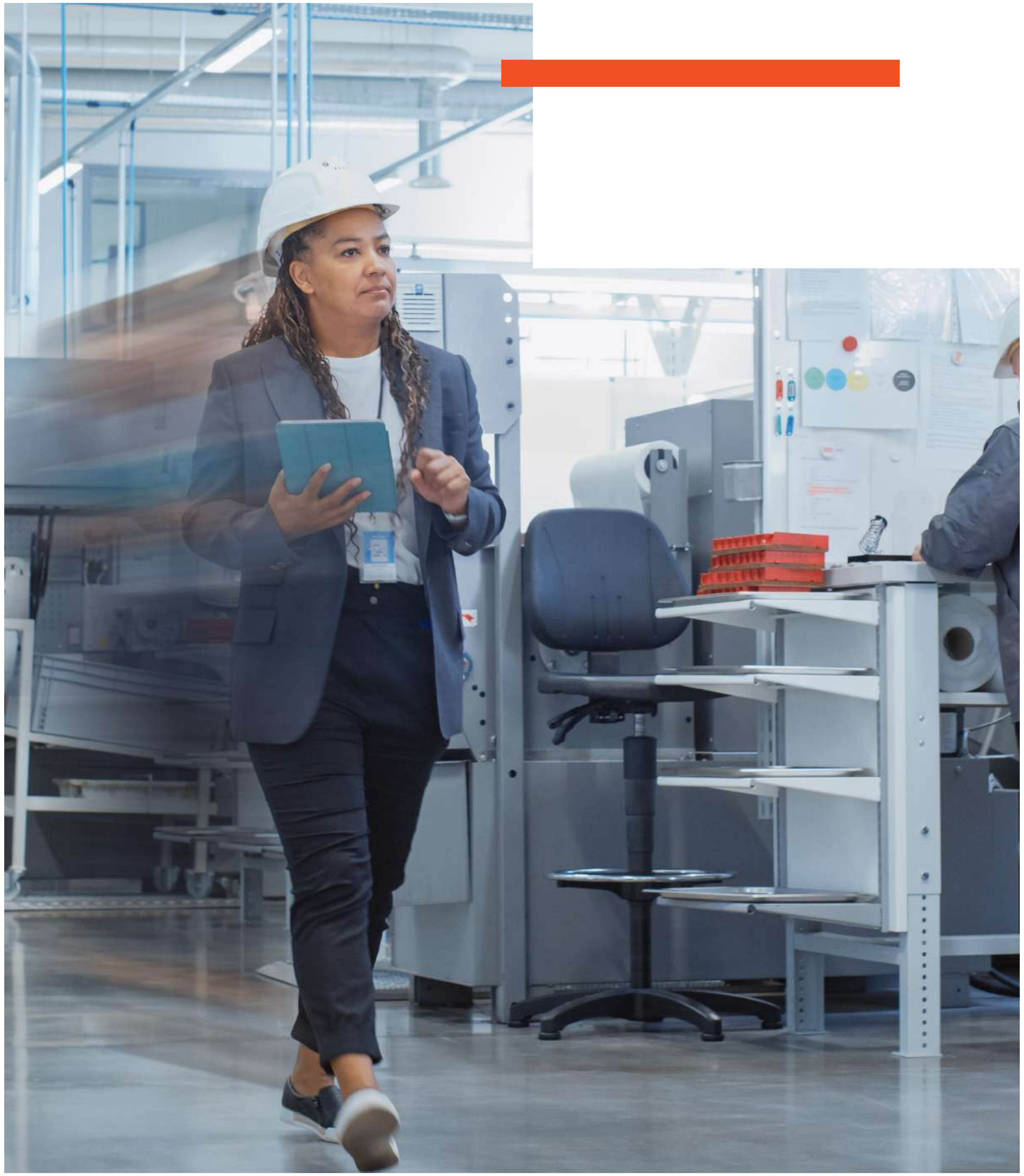
A strong presence in the region allows IDB Invest to closely supervise development-related investments through site visits. Quarterly portfolio reviews by the Portfolio Supervision Committee provide ongoing oversight of IDB Invest's portfolio and include in-depth discussions of country and industry sector exposures and developments, distressed assets and impact performance. Upon maturity or completion of each development-related investment, IDB Invest conducts a final evaluation comparing the expected and actual impact of each investment through a systematic assessment of its relevance, efficiency, effectiveness and sustainability. This process also captures the main lessons learned, which are then fed back into the design of new development-related investments. The final performance rating of each evaluation is validated by the IDB Group's independent Office of Evaluation and Oversight, and aggregate performance results are published annually in the IDB Group's Development Effectiveness Overview (DEO).

Awards: The Market Recognized our Work

- IJ Global Awards - Battery Storage: Neoen/BESS Project
- IJ Global Awards – Transport: Puerto Antioquia (Urabá)
- Environmental Finance - Social Fund of the Year LAC: AVLA Chile
- LatinFinance - Port Financing of the Year: Puerto Antioquia (Urabá)
- LatinFinance - Infrastructure Financing of the Year in the Andes: Rumichaca-Pasto 4G Toll Road
- LatinFinance - Financing Innovation of the Year: Rumichaca-Pasto 4G Toll Road Financing
- Bonds & Loans Awards 2022 - Project Finance Deal of the Year: Rumichaca-Pasto 4G Toll Road
- International Finance Law Review (IFLR) 2022: Liquidity Facility for the Stabilization of Electricity Tariffs
- Proximo Awards LAC Deals - Ports: Salaverry Port
- Proximo Awards LAC Deals - Emerging Energy: Usme & Fontibon Bus Fleet
- Proximo Awards LAC Deals - Roads: Rumichaca-Pasto 4G Refinancing



Action in Societies, Gender and Climate



IDB Invest supports clients and governments by focusing on societies through inclusion, MSMEs and digitalization; on gender equity and diversity; and on climate change. Additionally, IDB Invest provides environmental and social risk management; as well as corporate governance and transparency services to mitigate risks and promote development impact. Our development effectiveness work allows us to measure if impact is achieved.

Our advisory services strengthen operational impact and allow IDB Invest to drive development agendas in the region. During 2022 we carried out project- and market-level actions, working with clients to improve ongoing transactions and find new opportunities to have a positive influence in the industries, markets and communities where we finance operations. In 2022, there were 102 new advisory services engagements, of which 40 focused on climate action, MSMEs and sustainable businesses, while 62 were devoted to gender, diversity, inclusion and public-private partnerships. These efforts supported more than 68% of all IDB Invest transactions.

In parallel, fundraising efforts are undertaken to multiply the development impact of deals. In 2022 the team raised $9.3 million in technical cooperations, surpassing our $7 million target.

Climate Action

IDB Invest's advisory services help clients address the challenge of climate change as well as to advance towards our own institutional pledges to boost climate finance and green investments and to perform the analysis necessary to align operations with the Paris Agreement.

During 2022, for example, we

supported clients in designing and rolling out their first net-zero carbon emissions strategies and the feasibility of the first green hydrogen project in the Caribbean.

Among the notable knowledge products and tools developed were a position paper on the role of the private sector in financing adaptation to climate change and a greenhouse gas accounting system.

Social Agenda

IDB Invest works with clients to strengthen gender equality and promote the inclusion of members of historically disadvantaged groups such as Afro-descendants, indigenous and traditional peoples, persons with disabilities and individuals in the LGBTQ+ community.

Our advisory services in these fields create specific value propositions for different target populations and distinct providers and platforms, expanding our work with cooperatives, credit unions, microfinance institutions, funds and fintechs.

IDB Invest has been offering clients an investment package that includes performance-based incentives and advisory services to increase the number of women entrepreneurs with access to financing with the support of the Women Entrepreneurs Finance Initiative. As a result, we structured eight transactions with commercial banks, corporates and fintechs.

Our experience integrating financial incentives, advisory services and non-financial risk management highlight how our clients are motivated to expand their women-led SME segment, overcoming market inertia and learning how to offer better products. This is contributing to closing the knowledge gap.
In Honduras, we supported textile firm ELCATEX in developing Key Performance Indicators linked to blended finance performance incentives based on the integration of women-owned or -led SME suppliers through the disaggregation of their tracking system.

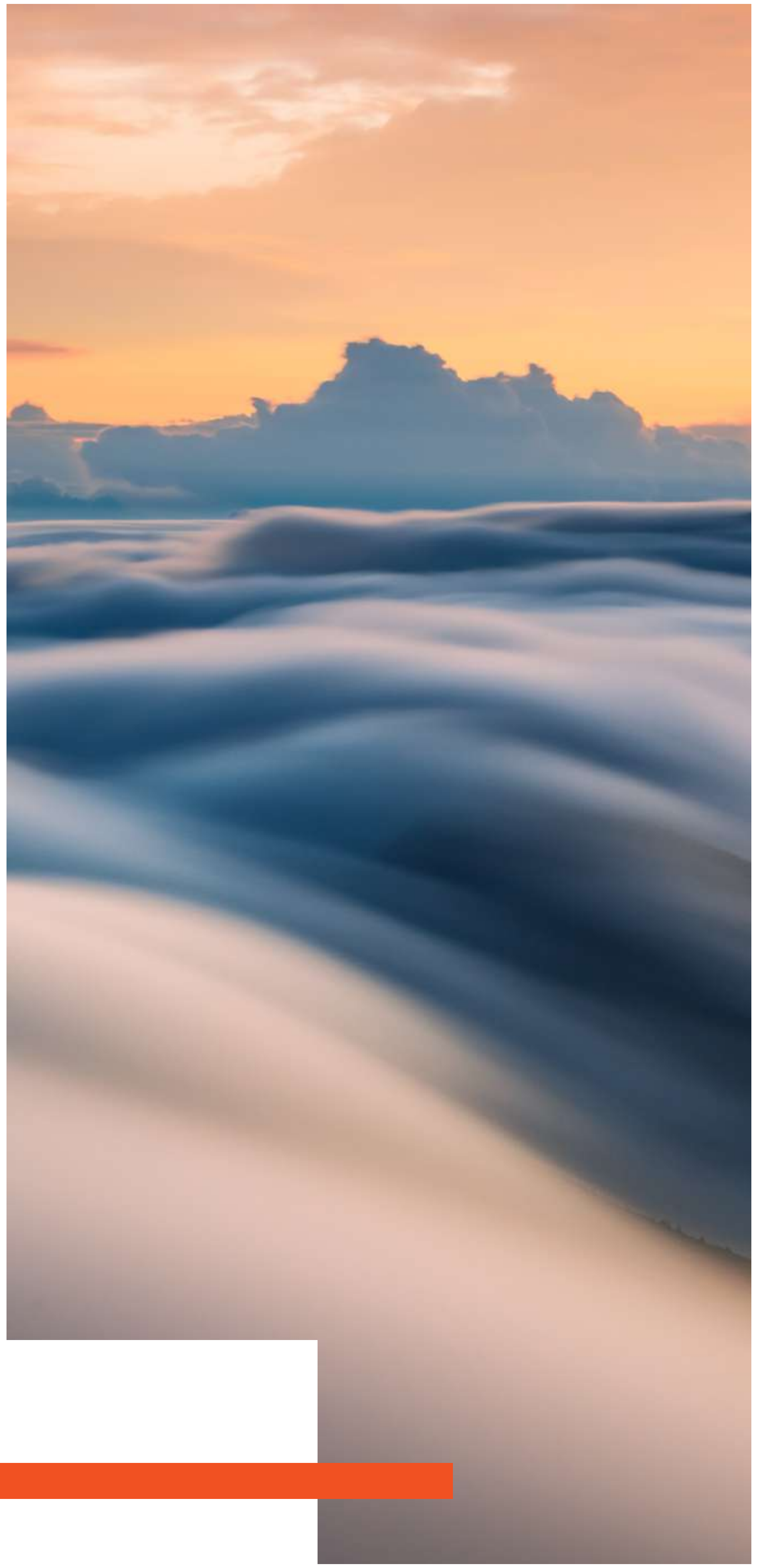
Similarly, the development of KPIs on climate adaptation and circular economy were part of a project financing deal for the first sustainability supply chain for Arteche Group, a Spanish electrical equipment manufacturer that operates in several Latin American countries. We also recommended ways to improve onboarding, procurement and gender-sensitive sourcing.

In The Bahamas, as part of a project to develop an 11-MW solar plant, IDB invest is working with the contractor in designing a strategy to hire women in non-traditional roles in the project.

Environmental, Social, and Governance Management

IDB Invest's robust Social and Environmental Sustainability Policy is used to carry out comprehensive due diligence processes for all operations, define steps to manage risks and address compliance gaps, carry out proactive stakeholder engagement, and identify opportunities to add value by embedding long-term impact and sustainability considerations in the businesses we support.

In addition, IDB Invest works closely with clients to understand their corporate governance systems and develop tailored action plans addressing issues such as board and leadership accountability and oversight, internal controls, compliance and ESG risk governance, transparency and disclosure, or shareholder and stakeholder engagement. Action plans serve two purposes: assisting IDB Invest in making informed investment decisions and aiding clients in identifying opportunities to strengthen their governance structures.



As part of the 2022 work program, the ESG team completed 89 environmental and social and 62 corporate governance due diligence processes, in addition to supervising 42 active projects onsite. It further pre-screened 109 IDB Lab operations for environmental and social compliance and carried out a full due diligence for 19 medium-risk transactions.

IDB Invest is recognized as a leader in the application of optimal ESG practices and sustainability solutions that add value to clients and markets.

There are currently 31 ongoing advisory services projects to support the adoption of such practices, and IDB Invest's sustainability policies have become a point of reference for sharing and mainstreaming ESG knowledge.

In 2022, Sustainalytics, the largest independent provider of ESG research and ratings, upgraded IDB Invest's ESG Risk score from 12 (low risk) to 8.2 (negligible risk), its highest rating category. This score is on par with the World Bank's (8.0), placing IDB Invest among the highest-rated financial institutions.

ESG in Action

- In 2022, IDB Invest supported the Private Sector Organization of Jamaica in reviewing and updating the Jamaica Corporate Governance Code and an associated corporate governance toolkit. The code offers a framework on company direction and control, fostering responsible and transparent decision-making at the highest corporate levels, improving shareholder and stakeholder relationships as well as long-term sustainability on the basis of ESG principles.

- IDB Invest helped to develop and disseminate national corporate governance codes in Brazil and Ecuador, with support from local regulators, exchanges, corporate governance institutes, and business associations. The launches were followed by workshops on the implementation of best practices and the benefits associated with complying with the codes' standards.

- Another initiative included piloting an ESG benchmarking platform for financial institutions, which allows lenders to gauge how they are performing on ESG across markets. One goal is to partner with banking associations in the region to harness larger datasets on the industry's ESG performance.

- As part of its commitment to increase financing to Small & Island Countries, IDB Invest, in partnership with Accenture, developed a proof-of-concept tool to showcase how remote sensing data and artificial intelligence techniques can help drive ESG investing. The Fuel Conversion Engine is an AI-powered visualization tool to estimate climate risks and guide renewable energy investments.

Development Effectiveness

IDB Invest's end-to-end Impact Management Framework serves as an industry benchmark on how to monitor, measure and evaluate the impact of projects in societies and climate. Our DELTA tool, for example, monitors the impact of projects before and during each stage of the operations cycle. This is useful both to us to analyze the effectiveness of our financing decisions and to our partner institutions that seek a reference metric for impact evaluation.

Action in Financial Innovation

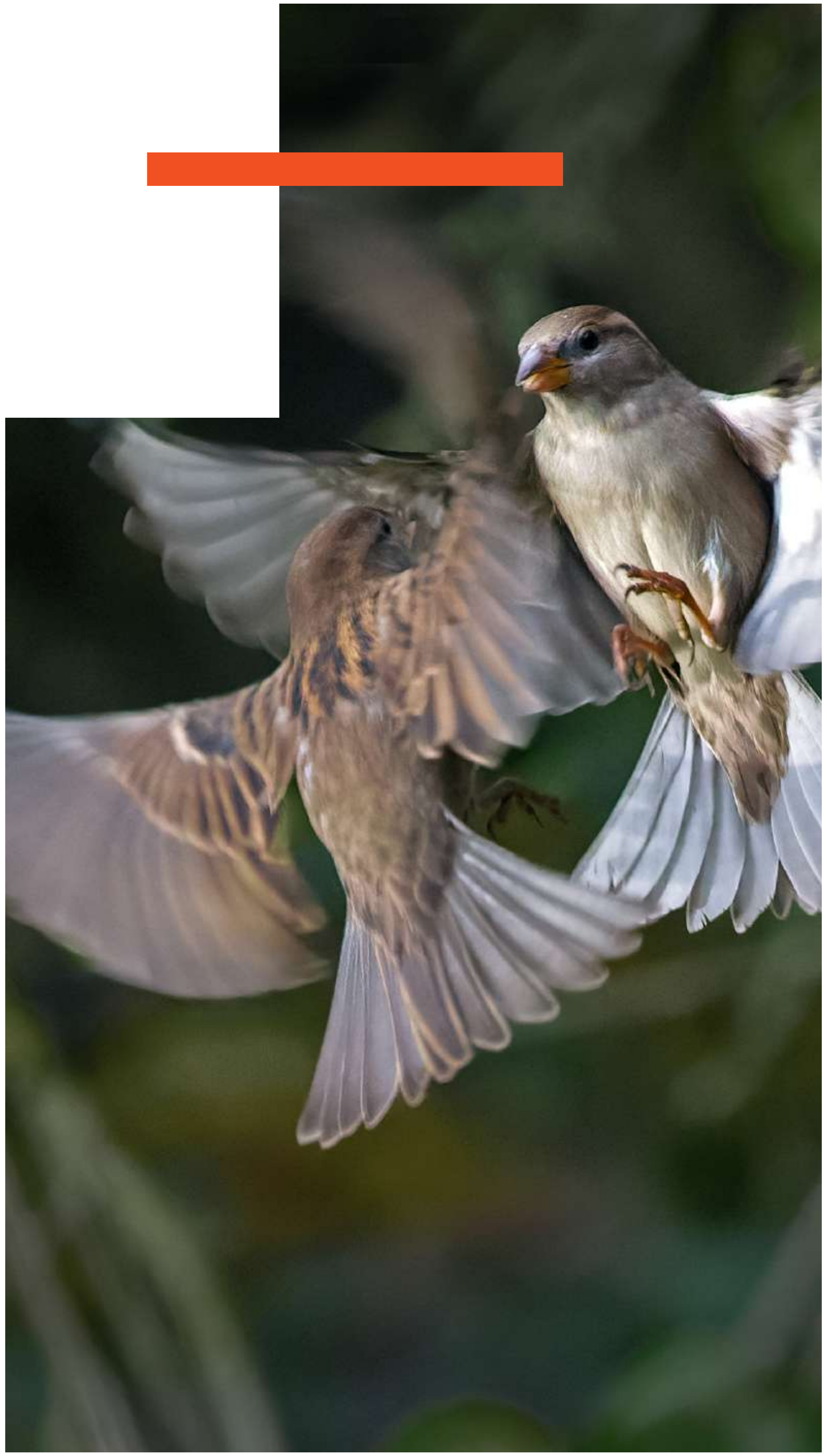
Treasury's Funding Activities

IDB Invest issues bonds in the international capital markets to raise funding for its operations. We diversify our funding sources and optimize our cost of funding by issuing in different markets and currencies. We also promote the development of local capital markets in Latin America and the Caribbean through the issuance of local currency bonds in the domestic markets that finance local currency projects. As of yearend 2022, IDB Invest's borrowings portfolio includes borrowings denominated in eight currencies.

In 2022, IDB Invest's new borrowings amounted to $2.5 billion, compared with $1.6 billion the previous year. New borrowings were denominated in eight currencies[8], with final contractual maturities ranging from 2 to 20 years.

IDB Invest issued new debt and raised other borrowings in the domestic markets in Mexico, Paraguay and Trinidad and Tobago, as well as used derivatives markets to fund local currency projects in the region.

The year 2022 marked our tenth anniversary as a bond issuer in the global capital markets. During the first three years, we established



our international market presence as the Inter-American Investment Corporation with an initial funding program of $350 million annually. Since then, IDB Invest has grown its funding program to up to $3 billion annually, becoming a leading sustainable issuer for Latin America and the Caribbean.

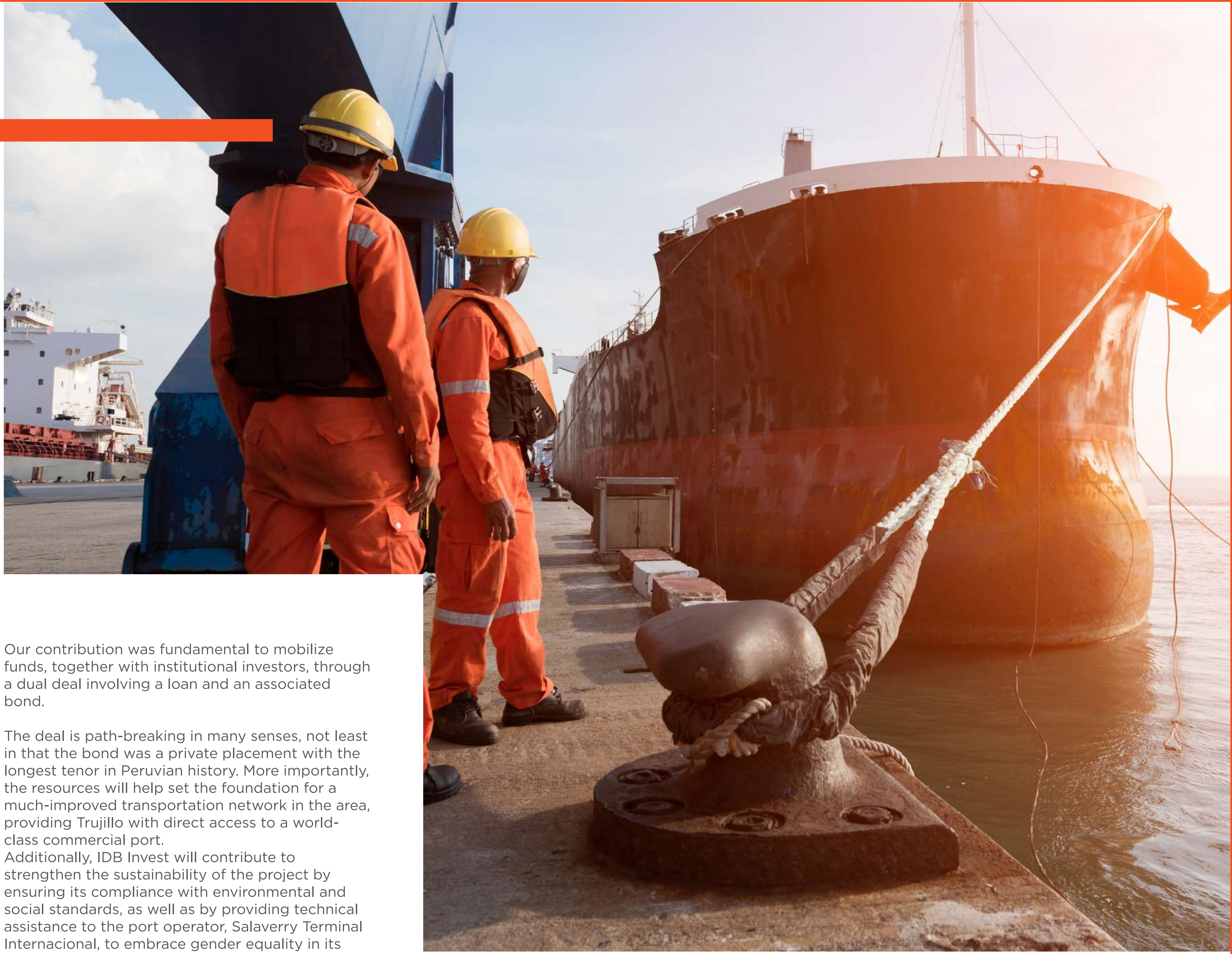
Sustainable Debt Issuances

IDB Invest issues green, social and sustainability bonds under its Sustainable Debt Framework, which is aligned with the Green Bond and Social Bond Principles published by the International Capital Markets Association (ICMA). Vigeo Eiris, part of Moody's ESG Solutions, issued a Second Party Opinion confirming the framework's alignment with the ICMA principles and awarding it the highest score for its contribution to sustainability.

IDB Invest published its first Sustainable Bond Allocation and Impact Report in 2022 for the sustainable bonds issued the year prior. Sustainalytics, a Morningstar Company, performed an external review of the report, confirming the allocation of funds to eligible projects as defined in the Sustainable Debt Framework.

In 2022, IDB Invest's sustainable debt issuances consisted of a Global USD Benchmark Sustainability Bond, EUR Benchmark Social Bond, AUD Benchmark Green Bond, MXN Benchmark Social Bond and other innovative green and social bonds issued under the Sustainable Debt Framework. These included, for example, IDB Invest's first Silver Economy Social Bond to support financial inclusion of senior citizens in Latin America and the Caribbean, and Blue Bonds to promote the sustainable use of water resources and ocean conservancy in the region.

8 USD, EUR, AUD, BRL, COP, MXN, PYG and TTD.



Peru
Anchoring a Port to Boost Competitiveness
Infrastructure

Trujillo, in northwestern Peru, is known as the country's cultural capital and one of its main tourist attractions. However, its relative isolation from other economically dynamic areas has resulted in slower development, particularly in its rural hinterland.

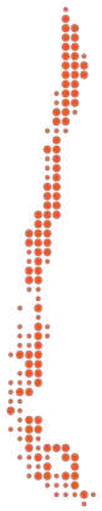
Since 2011, the city has been carrying out a pilot project, "Trujillo: Sustainable City," with the Inter-American Development Bank's support. It's in this context that Trujillo's commercial port, just south of the city's center, is being developed as a local transportation hub, with the aim of reducing logistic costs and strengthening the region's competitiveness.

A key milestone in this process was securing $115 million in financing to modernize the port, raised with the help of IDB Invest, which acted as the anchor investor.

Our contribution was fundamental to mobilize funds, together with institutional investors, through a dual deal involving a loan and an associated bond.

The deal is path-breaking in many senses, not least in that the bond was a private placement with the longest tenor in Peruvian history. More importantly, the resources will help set the foundation for a much-improved transportation network in the area, providing Trujillo with direct access to a world-class commercial port.
Additionally, IDB Invest will contribute to strengthen the sustainability of the project by ensuring its compliance with environmental and social standards, as well as by providing technical assistance to the port operator, Salaverry Terminal Internacional, to embrace gender equality in its human resources policies.

"This kind of project improves a lot of lives," said IDB project team leader Aldo Rafael Malpartida Velásquez. "It also goes to show that, for multilateral institutions like ourselves, mobilizing private sector contributions is just as important, if not more, than providing resources for worthwhile projects where everyone stands to gain."



Chile
Protecting Natural Parks

Tourism

Deep in the south of Chile, the Torres del Paine natural park receives around a quarter of a million visitors per year, just over ten times the population of the town closest to the park, Puerto Natales.

Ensuring the park's protection and the preservation of its pristine natural areas has long been a priority – and a challenge. Dominated by three distinctive granite peaks as tall as 2,500 meters above sea level, the region's grassy valleys, white-water rivers and impressive glaciers are bound to receive more tourists as word spreads.

At the same time, the park faces an all-too-common problem: a funding gap for land conservation efforts between current spending on biodiversity stewardship and what is actually needed. Globally, this gap is estimated by The Nature Conservancy at $598 billion to $824 billion per year.

Sustainable tourism is the answer to the tricky question of how to finance such efforts and preserve natural ecosystems. One example is Explora, a Chilean-based hospitality company with award-winning lodges throughout South America.

Explora is putting land conservation at the heart of its operations. With the help of funding from IDB Invest, it's creating of a 6,000-hectare reserve adjacent to the Torres del Paine park to preserve and regenerate ecosystems affected by past overgrown cattle ranching activities.

Approximately 99% of the land will be devoted to conservation and protection, while the remaining 1% will feature for-profit sustainable hospitality concepts that promote research and education, with a business model that covers the operational expenses related to the entirety of the conservation efforts.

In collaboration with The Nature Conservancy, the conservation and regeneration agenda will be financed through an endowment originating from the sale of land equity shares to investors.

"By combining a business enterprise model with a non-profit commitment, we can expand and accelerate a conservation agenda, making it scalable with programmatic financing in perpetuity," said IDB team leader Daniel José Arévalo . "This reaffirms the importance of supporting new and innovative conservation models, with the expectation of replicating it to other locations in the region."

Colombia
Another First for Bancolombia
Financial Institutions

As one of the financial leaders in Colombia, Grupo Bancolombia has a track record as an innovator. In 2019, it became the first Colombian lender to float a sustainable bond, a COP 675 billion issue that was used to finance more than two dozen social and green projects, ranging from low-income housing to energy efficiency investments.

In 2022, Bancolombia became the first bank in the region to issue a sustainability-linked bond. The COP 640 billion deal was organized by IDB Invest, which had subscribed the previous sustainable bond in its entirety.

On this occasion, however, it was joined by the IDB itself and an impact investor, the Latin America Green Bond Fund.

Bancolombia will use the proceeds from the five-year bullet bond for two overarching purposes: to promote financial inclusion and to reduce carbon emissions in its underlying portfolio. It will aim to lend to more than 1.5 million unbanked individuals by the year 2025, while also seeking to cut emissions in its financed portfolio by as much as 36% from their 2021 levels. For example, it will no longer finance coal-burning power plants.

Under the terms of the new bond, Bancolombia agreed to meet a series of key performance indicators over time, which will enable it to pay a significantly reduced interest rate. Besides helping a valued and strategic client tap a new source of funding, IDB Invest will also assist Bancolombia in its efforts to strengthen its climate risk management by adopting recommendations from the Task Force on Climate-Related Financial Disclosures.

"This deal will help Bancolombia make greater strides towards its ambitious goals of expanding financial inclusion and decarbonizing its portfolio," said IDB Invest project team leader Sandra Reyes. "We hope that, leading by example, they will serve as a model and inspire other lenders in Latin America and the Caribbean."

Brazil
Einstein Stands for Excellence

Social Infrastructure

Sao Paulo’s Albert Einstein Hospital is often hailed as the premier healthcare institution in Latin America. The flagship teaching and research hospital is owned by a Jewish community non-profit organization that also runs several private and public hospitals as well as a network of primary and secondary care units, serving more than 8 million patients per year in Brazil’s biggest metropolitan region.

The non-profit, Sociedade Beneficente Israelita Brasileira Hospital Albert Einstein, became acquainted with IDB Invest during the pandemic, when IDB Invest helped it finance investments and expenditures in the fight against COVID-19. The response included new temporary and permanent beds in both public and private hospitals, as well as the purchase of essential medical supplies and diagnostic tests and for donation of personal protective equipment.

Once the COVID crisis eased, IDB Invest became interested in supporting the non-profit’s plan to develop a world-class oncology and hematology treatment and research center as part of its strategy for long-term healthcare investments.

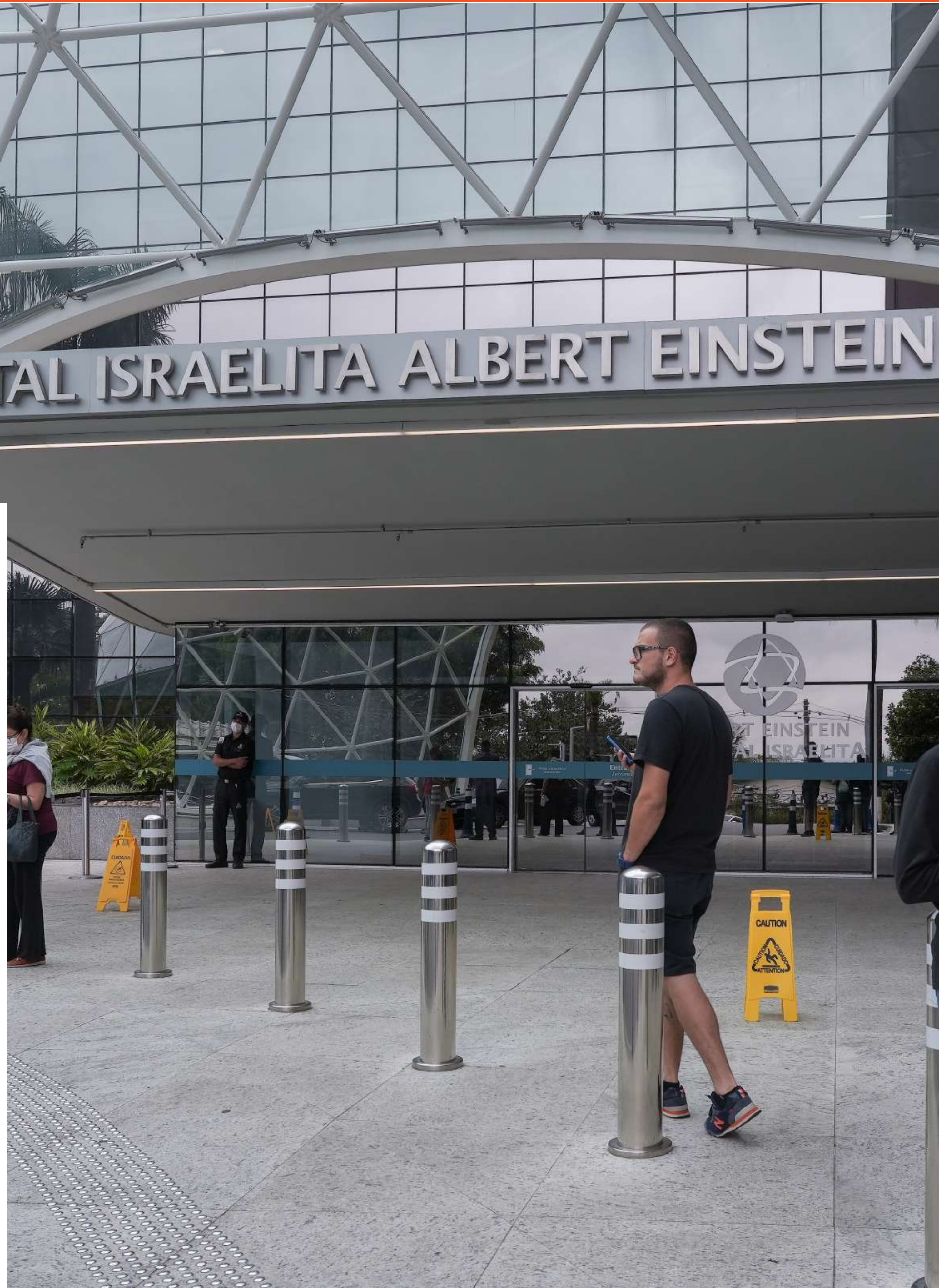
The new facility will be built in Parque Global, a planned neighborhood under construction in the southern part of Sao Paulo, in an area that once was a dumping ground for silt dredged from riverbeds. The center will have 10 operating rooms, including two for robotic surgery, five image-guided intervention rooms, 20 intensive and 20 semi-intensive care units, 36 chemotherapy stations, 15 laboratories, 84 consulting rooms and 160 automated beds.

Besides state-of-the-art equipment, the new center will use the latest innovations in medical science and technology, including cell therapy, genetic sequencing and big data. This will provide cutting-edge, personalized care while also allowing for research and training.

> Albert Einstein Hospital’s existing cancer center is already recognized as the finest in Latin America; the new one will strive to be one of the best in the world.

While the developers will shoulder the cost of building the facility, the non-profit will equip, staff and run the center with support from the $20 million, eight-year loan from IDB Invest and an $80 million loan on similar terms from Banco Santander.

“Besides mobilizing a large amount of private sector financing, this deal is especially timely because, as its population ages, Brazil is experiencing an epidemiological transition, in which chronic diseases such as cancer are becoming more prevalent,” said IDB project team leader Marina Queiroz Galvao. “Sao Paulo will gain a treatment and research center with the potential of becoming a global point of reference.”



Trinidad & Tobago
Building a Bigger Home Finance Market

Financial Institutions

Like many countries in Latin America and the Caribbean, Trinidad and Tobago has a pressing need to expand access to affordable mortgage lending to provide housing solutions to low- and middle-income households.

Unlike other nations, Trinidad and Tobago already has institutions dedicated to housing finance, including Home Mortgage Bank, established in 1985 by its government create a secondary mortgage market and provide liquidity for primary market mortgage originators.

Yet, HMB's ability to continually rely on domestic capital markets and local banks for its fundraising in local currency has faced challenges. With local interest rates expected to rise owing to exogeneous inflationary pressures and other factors, the financial institution needed to secure longer term, alternative financing solutions.

IDB Invest, in partnership with RBC Financial Caribbean Ltd, subscribed for a TTD 300 million (approximately $44 million) social bond issued by HMB, the first of its kind raised by a local financial institution in the Caribbean region.

The five-year bond not only afforded HMB the ability to diversify its current funding sources, but also to secure terms and conditions compatible with its goal of increasing liquidity to primary mortgage originators by applying the bond proceeds raised to purchase a pool of mortgage loans issued at subsidized interest rates to first-time low- and middle-income homebuyers.

Under the terms of the deal, HMB agreed to comply with the principles of the International Capital Markets Association for social bonds. In addition, IDB Invest will provide advisory services to help HMB develop its sustainable finance strategy, with a view to creating new financial solutions for green projects, as well as to enhance its environmental and social management systems.

"The social bond offers an opportunity through an innovative structure, to utilize a local currency, thematic issuance to extend the duration of financing available to HMB at similar rates in the domestic financial services market, by securing a pool of mortgages rather than investment securities," said Head of The Caribbean - Financial Institutions Division for IDB Invest Stephen Thomas. "The deal will also contribute to further developing the capital markets and thematic bonds issuances in Trinidad and Tobago and in the wider Caribbean region."

Belize
Some Like it Hot
Consumer Products

Would you sample a sauce from a bottle labeled "BEWARE: Comatose Heat Levels" or "Lava Heat?"

Hot sauce enthusiasts across 37 countries often do as fans of one of Belize's most notable exports.

Marie Sharp's hot sauces are produced by the namesake company in Dangriga, a town in southern Belize, an English-speaking Central American country on the Caribbean coast that has long been a melting pot of cultures.

The first hot sauces were made by Marie Sharp herself in her family's farm kitchen just over four decades ago. Since then, her company, Marie Sharp's Fine Foods, has grown to employ 30 people and establish links with a network of small rural producers.

Although Marie Sharp is a household name in Belize, obtaining credit and working capital on adequate terms to expand operations is a challenge.

Fortunately, IDB Invest cooked up a plan. In 2022, we supported Marie Sharp with a 7-year loan of up to $5 million to build two new greenhouses to grow peppers and additional facilities to process, package and store products.

These investments will enable Marie Sharp to increase its output of exportable agricultural products with significant value added, such as jams, jellies and fruit punches. Moreover, they will strengthen their supply chain, in which many small producers employ people from traditionally disadvantaged groups.

In addition, IDB Invest will provide advisory services to make improvements to the firm's environmental and social action plans and its corporate governance, as well as guidance to implement recommendations from a study on renewable energy generation and energy efficiency.

"This deal will provide the company with the financing required to expand its current production to be exported globally," said IDB Invest project leader Monica Navarrete. "It will not only benefit Marie Sharp but also its value chain, especially small and medium-sized pepper suppliers. Pepper production is one of the main agribusiness sectors in the country."

Regional

A Second Debut for Clothing

Circular Economy

Not many fashion consumers are aware that the clothing industry is one of the world's biggest polluters, responsible for about 10% of global carbon emissions and as much as 20% of wastewater.

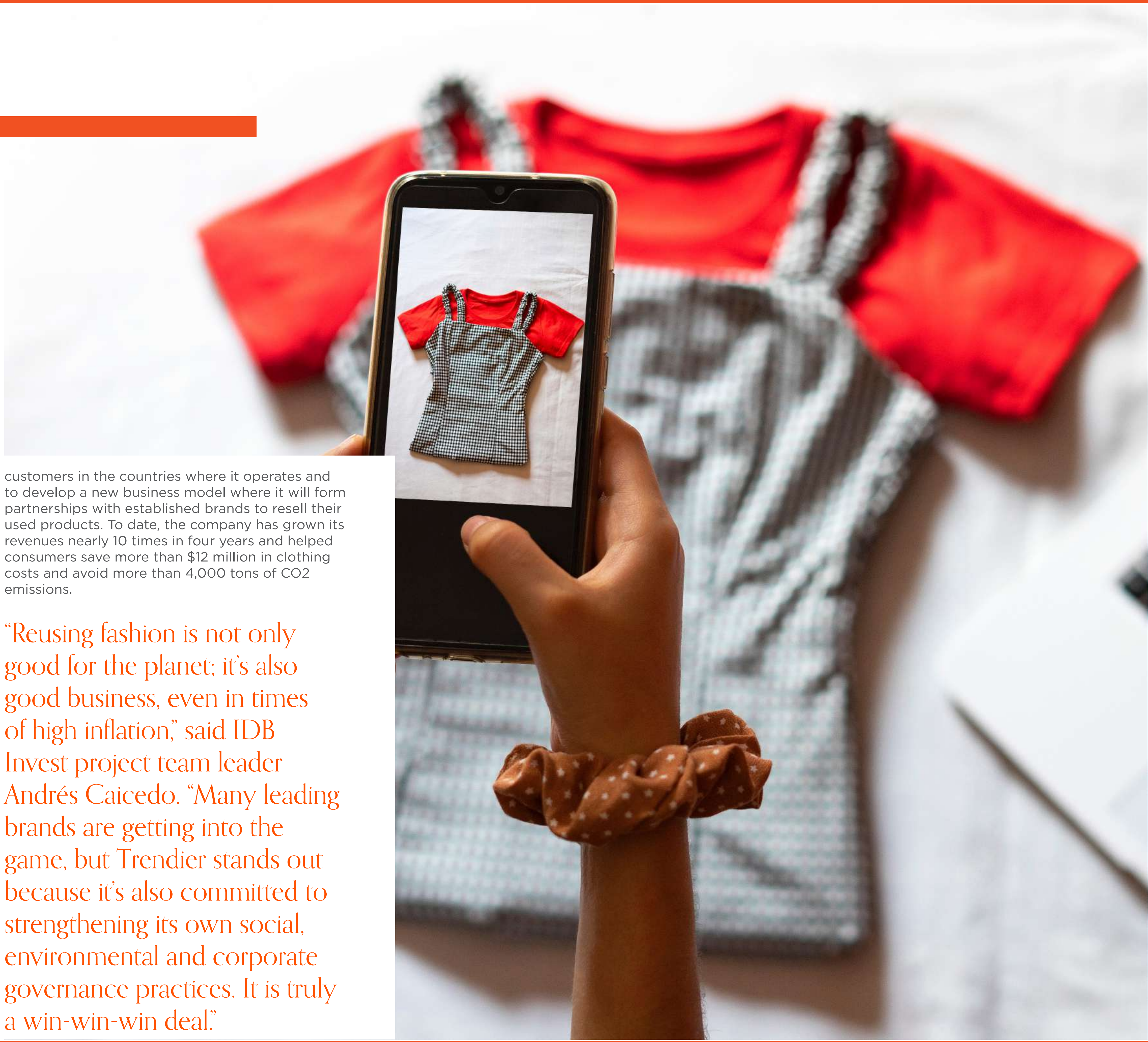
Over the past couple of decades, the problem has only gotten worse, largely because of the "fast fashion" trend. Clothing production has multiplied fivefold, even though most people use less than one-third of the items in their wardrobes. On average, garments are worn only seven times. One outcome is that dumpsites around the planet are clogged with discarded clothing, much of it made with synthetic fibers that will take centuries to decompose.

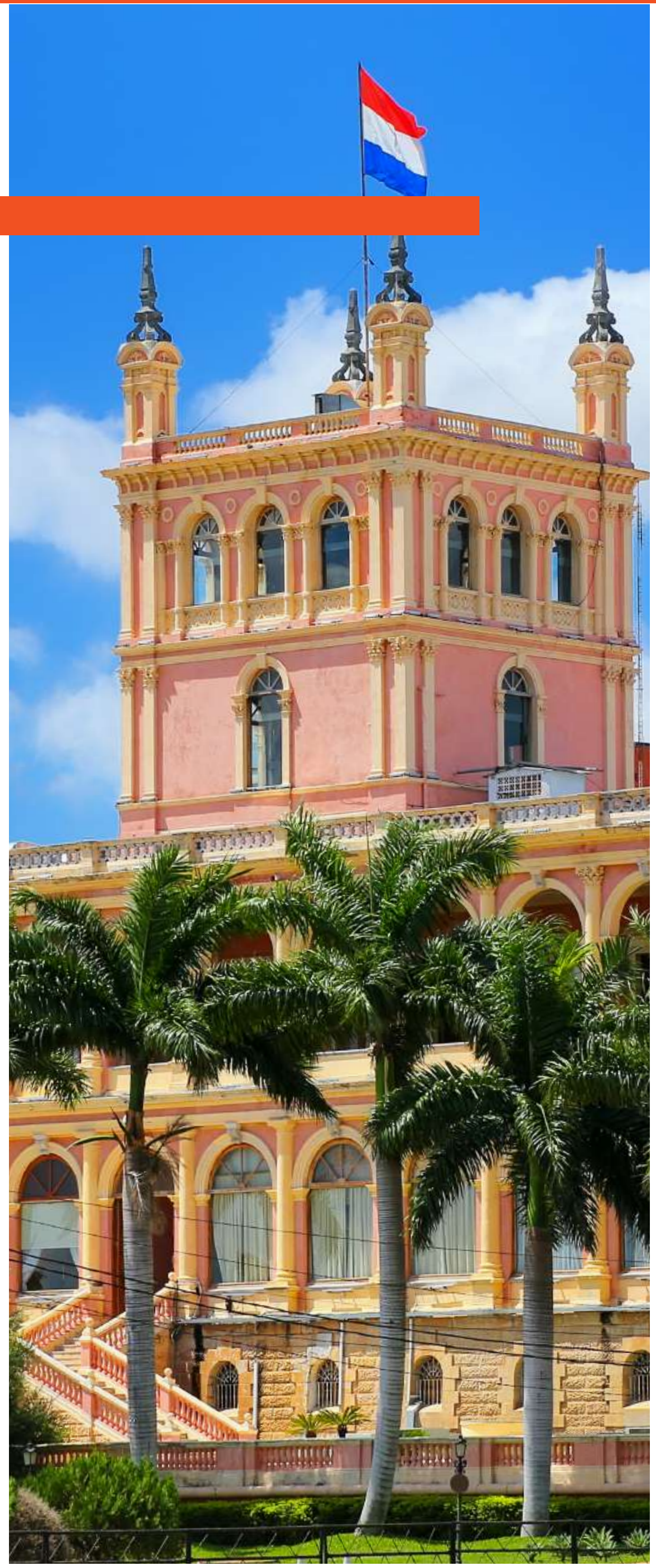
One way to start reversing the course is to embrace the circular economy: recycling, repurposing, or reusing what would otherwise be discarded. One encouraging development is the emergence of digital merchants of secondhand fashion, who typically collect fees for connecting buyers and sellers of used clothes, shoes, handbags and other accessories.

IDB Invest is partnering with one such entrepreneur, Trendier Latam, a digital platform founded in Barcelona, Spain, and active in Colombia and Mexico. In 2022, IDB Invest made a $3.7 million equity investment in the secondhand fashion startup, as part of a series B round that raised $13 million.

Trendier will use the resources to acquire more customers in the countries where it operates and to develop a new business model where it will form partnerships with established brands to resell their used products. To date, the company has grown its revenues nearly 10 times in four years and helped consumers save more than $12 million in clothing costs and avoid more than 4,000 tons of CO_2 emissions.

"Reusing fashion is not only good for the planet; it's also good business, even in times of high inflation," said IDB Invest project team leader Andrés Caicedo. "Many leading brands are getting into the game, but Trendier stands out because it's also committed to strengthening its own social, environmental and corporate governance practices. It is truly a win-win-win deal."





Paraguay

Saving South America's Green Core

Financial Institutions

Paraguay is one of the few countries in the region to have had an international star such as Julio Iglesias warble about a local lake, in the song "Remembrances of Ypacaraí."

However, like many other nations, Paraguay struggles with pollution problems affecting many of its bodies of water. That makes a turn towards an environmentally friendly financial policy more urgent than ever, and a deal with IDB Invest will provide Paraguay's Banco Continental with up to $150 million to help achieve that goal.

The funds will be used to finance the growth of the bank's sustainable portfolio, in keeping with criteria defined in a conceptual framework developed by the client itself, including projects with environmental and social impact.

"The time when financial institutions merely looked for the most profitable deal, in the absence of other considerations, is long gone," said IDB project team leader Cristina Paredes. "This type of deal will serve as a trailblazer for future deals that will put sustainability at the forefront of Paraguay's financial focus."

Bahamas

Putting All That Sun to Good Use

Energy

Like other Caribbean nations, the Bahamas is highly dependent on imported oil and other fossil fuels. As a consequence, its economy is highly vulnerable to shocks when global energy prices spike, as it happened last year due to the war in Ukraine.

To help mitigate that risk, IDB Invest is helping the Bahamas tap a natural resource that is abundant in the Caribbean: sunlight. The Lucayas Solar project consists of a greenfield 11 MW solar plant, comprising two generation systems of 6 MW and 5 MW each, and other transmission and interconnection infrastructure to be located in the city of Freeport on Grand Bahama, an island that accounts for over 10% of the archipelago's population.

"This project will sell energy to the sole utility on the island under a 25-year power purchase agreement," said IDB Invest project team leader Mario Camargo. "We are playing a first mover role in a country without a track record of non-conventional renewable energy projects, characterized by significant climate change risks and under sizeable economic stress. This a real game changer."

Colombia
An Electric Turn for the Better
Energy

No one likes the smell of bus exhaust fumes, but everyone understands that public transportation is fundamental, not just for millions of passengers across the region who don't have other means of mobility but also to reduce CO2 emissions produced by smaller, less efficient fossil fuel-powered cars and motorcycles.

At the same time, there's plenty of room to improve the efficiency and reduce the carbon footprint of public transportation. Many bus fleets are hopelessly old and their engines leave behind toxic trails of pollution that is particularly bad in big cities with heavy traffic.

To take on this problem in Bogotá, Colombia, IDB Invest helped finance two deals totalling COP 619 billion for the acquisition of a fleet of 401 electric buses.

The deals, which also involve the construction of recharging infrastructure in the Usme and Fontibon areas of the Colombian capital city, will help the public transit system shift to a much greener approach to mass transportation. They will also allow for amenities in the buses including wi-fi access and chargers for personal devices.

With this project, Bogotá will gain the second largest electric bus fleet in the region after Santiago de Chile, and one of the largest in the world outside of China.

"These transactions are the first electric mobility projects financed by IDB Invest," said IDB project team leader Elizabeth Layton. "Additionally, the project is expected to lead to cost savings resulting from more efficient energy consumption. This meets IDB Invest's targets of strategic selectivity in Colombia since we are able to develop electric transport with negligible air pollution."

Action through Risk Management

Audit & Risk Oversight Committee

IDB Invest's risk culture permeates all levels of the organization, integrating financial and non-financial risk management at both the project and portfolio levels. This approach was bolstered in 2022 as our Board of Executive Directors Audit Committee became the Audit and Risk Oversight Committee, expanding its oversight of financial and non-financial risks.

Environmental & Social Risk

In addition, we increased the capacity and resources of our Environmental and Social Risk Unit, which acts as a second line of defense for environmental and social risk management. Its Management Grievance Mechanism (MGM) became fully operational in 2022 as an enhanced channel to address complaints from individuals and communities affected by projects financed or being considered for financing by IDB Invest. The MGM aims to identify and resolve grievances at an early stage and throughout the life cycle of projects, helping to ensure our policies are followed and strengthening sustainability. In addition, the MGM allows IDB Invest to extract institutional lessons to strengthen ESG risk management.

Cross-Booking Origination

At the end of 2022, the seven-year period established to allow IDB Invest to book operations on the Inter-American Development Bank's balance sheet expired.

The cross-booking framework, was part of the "merge-out" process that assigned responsibility over the IDB Group's non-sovereign guaranteed operations to IDB Invest. This mechanism enabled IDB Invest to maintain its volume of lending after the "merge-out" and then exceed it.

Cross-booking also helped the IDB Group balance scale, product diversification and risk absorption capacity for both IDB and IDB Invest portfolios. During the period, IDB Invest met all established cross-booking metrics at the transaction and portfolio levels in line with agreed risk appetite and concentration parameters.

The end of cross-booking presents new challenges, such as increased capital constraints, ability to accommodate large projects, and risk concentration considerations. IDB Invest continues to explore and implement innovative ways to mobilize its own resources, implement local currency solutions and scale up by deploying innovative products and capital optimization strategies.

Action through Knowledge & Transparency

Knowledge Generation & Transfer

The second edition of IDB Invest's Sustainability Week convened 250 experts and innovators who shared tools, practices and experiences with 500 onsite and 8,752 online participants. This garnered 16,753 unique views from 41 countries representing 3,048 companies and organizations. As a net-zero conference, Sustainability Week set new institutional standards for sustainable events by offsetting 167 tons of CO_2 emissions, recycling 95% of event material and generating zero food waste.

During 2022, we launched several knowledge products and tools aimed at sustainability practitioners. This included four publications, nine factsheets, and two videos, as well as an ESG technology application. Subjects covered include "Startups and Scale Ups: Governance Maturity", "Remote Sensing and Artificial Intelligence Applications for Agribusiness", Agribusiness Digital Transformation, and "The Impacts of the COVID-19 Pandemic on Firms in the Caribbean."

We also launched reports that focused on the pandemic's impact on small and island countries and how the private sector drives recovery. In "Vulnerable and disadvantaged groups awareness and protection," we looked at ways to foment gender equality and protect exposed minorities in Latin America and the Caribbean.

The effect of climate risks on the long-term economic development of the region was discussed on “Adaptation actions in commercial ports” and other reports such as the annual “Development Effectiveness Overview.”

More than 600 internal and external participants attended training courses on IDB Invest’s sustainability policy, methods for E&S management and guidance on best practices, corporate governance for family businesses, cumulative impact assessment, strategic governance for leaders of cooperatives, corporate governance for startups and scale-ups; gender, diversity and inclusion; and sustainable protocols for banking associations.

IDB invest also carried out a series of “deep dive” training sessions on indigenous communities, reprisal risks, contextual risk, security and conflict, and understanding and addressing gender issues in development projects.

Active Transparency & Non-Financial Risk Oversight

The Independent Consultation and Investigation Mechanism (ICIM) offers individuals, organizations and communities a process to present, discuss and examine questions and grievances arising from projects financed by IDB Invest. The ICIM is committed to solving disputes in a collaborative manner and carrying out inquiries to determine whether IDB Invest has failed to meet any of its social or environmental safeguards.
Some of the highlights of the mechanism’s work during 2022 were:

1. The ICIM held the first face-to-face consultations with stakeholders in the case of Ruta del Cacao, a toll road project in Colombia, after two years of virtual meetings due to the pandemic. Despite those restrictions, the parties were able to reach partial agreements on two issues raised by claimants and made progress towards finding solutions in the remaining five controversies.
2. IDB Invest carried out action plans based on recommendations made by the ICIM to address disputes related to projects in Chile and Guatemala. Some of the proposals were aimed at improving how safeguards are employed and implemented.
3. Also in Guatemala, the ICIM held meetings with indigenous communities to discuss the implementation of an action plan to address grievances arising from the development of two run-of-the-river hydroelectric plants, San Mateo and San Andres. The action plan was approved by IDB Invest’s board in March.
4. In November, the ICIM published its first report of the implementation of an action plan to address grievances arising from the Alto Maipo hydroelectric project in Chile. Given the results of remedial actions taken by IDB Invest over the past two years, the ICIM considered the case closed.
5. The ICIM continued its investigation of the Ituango hydroelectric project in Colombia, expecting to announce findings in 2023.

Report on the Implementation of the IDB Invest Access to Information Policy

The IDB Invest Access to Information Policy came into effect on January 1, 2020. During 2022, IDB Invest continued to make progress in various activities to implement the Access to Information Policy, involving different IDB Invest teams, reaffirming our institutional commitment to improve transparency in the exercise of our activities and strengthen the institution’s governance.

I. Regulation and Governance

In 2022, a chapter was added to the IDB Invest Administrative Manual with the internal procedures for implementing the Policy, in order to facilitate its implementation and clarify the roles and responsibilities of different teams throughout the organization.

In September 2022, two protocols were approved between IDB Invest and the IDB Secretariat: the first to regulate the procedure for processing requests for access to information involving both institutions and the second to regulate the procedure for disclosing executive board documents.

Finally, in response to recommendations received from the members of the External Access to Information Panel, at the end of 2022 the Administration Committee approved amending the Panel’s Operating Procedures to highlight the importance of reaching consensus on the Panel’s decisions. through constructive discussions. It also authorized the signing of panel and individual opinions as well as notes on personal votes, increasing the transparency of the proceedings.

II. Proactive disclosure

During 2022, compliance with the proactive disclosure commitments established in the Policy was maintained, increasing the quantity and quality of information shared on our website. In addition to institutional information, IDB Invest disclosed the environmental and social information for 104 projects throughout the year, aligned with the Access to Information requirements.

Likewise, IDB Invest continued its effort to increase transparency by proactively disclosing information under the International Initiative for Transparency in International Cooperation (IATI). In 2022, the frequency of publications in IATI increased (reaching monthly frequency) and gradually data categories have been added to the disclosure. In addition, IDB Invest began publishing an updated and electronically readable project dataset on its website.

III. Information Requests

Under the policy, the public can request information from IDB Invest through the Transparency Center. When the institution declines a request, applicants have the right to request a review, first by the Administration Committee, and then by the External Panel.

A) Transparency Center

During 2022, the Transparency Center received 577 requests for information, up 46% from 2021. Of these requests, 210 required internal actions to search, disclose, or deny information in accordance with the exceptions to the Policy. In 98% of the requests, the requested information was provided and only in 2% of the requests was the information denied because it fell under one or more of the exceptions to disclosure in the Policy. The average response time to these requests was 21 days.

The most requested topic was information on projects (55.8% of requests), followed by institutional information (29.3%) and environmental and social information (6.2%). A majority of the requests came from the private sector (45.9%), academia (21.5%) and individuals (18.1%). The largest volume of orders came from Colombia (10.1%), Peru (9.4%), Mexico (9.0) and Ecuador (8.9%).

B) Review Requests

During 2022, IDB Invest denied 12 requests for information based on exceptions provided in the Policy. IDB Invest received one request for review by the Administration Committee of an information denial. There was no request for intervention of the External Panel. The decisions of the Administration Committee and the External Panel are available to the public on the IDB Invest website.

IV. Technology and training

Throughout 2022, IDB Invest worked to incorporate improvements and lessons learned in the policy implementation systems, and training was provided to users of the electronic information request system for the policy.

Our Mission

IDB Invest promotes the economic development of its regional developing member countries by encouraging the establishment, expansion and modernization of private enterprises (including non-sovereign guaranteed operations with state-owned enterprises) in such a way as to supplement the activities of the IDB Group. IDB Invest aims to be the leading financial institution with the knowledge and expertise to invest with impact in Latin America and the Caribbean and to connect its countries and private sector investments with the UN Sustainable Development Goals.

Our Mandate

The purpose of IDB Invest is to promote the economic development of its Regional Developing Member Countries by encouraging the establishment, expansion and modernization of private sector projects in the Region that do not benefit from a sovereign guarantee and that aim to bolster competitiveness, inclusive economic growth and sustainable practices.

Our Member Countries

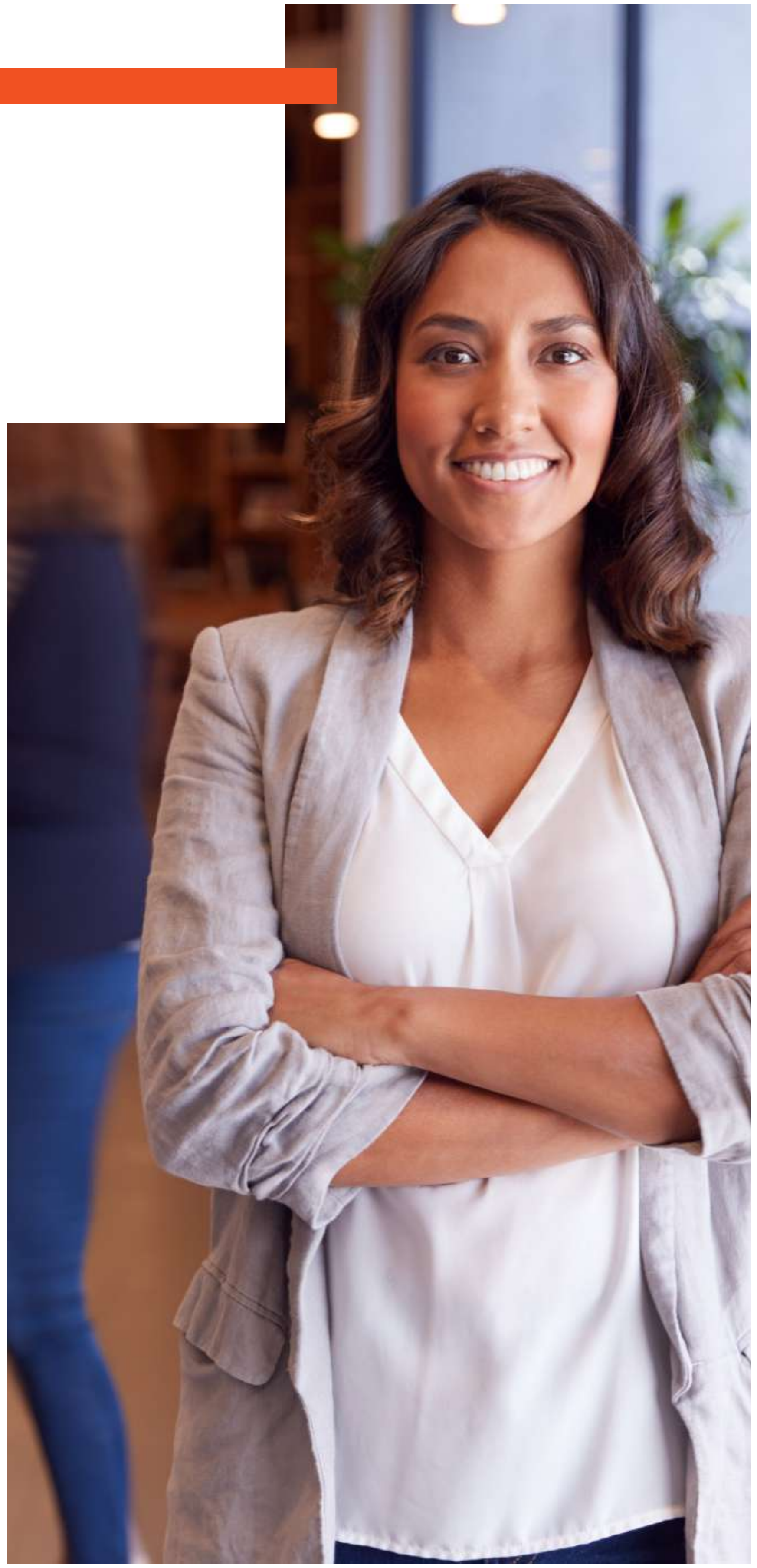
Argentina, Austria, The Bahamas, Barbados, Belgium, Belize, Bolivia, Brazil, Canada, Chile, the People's Republic of China, Colombia, Costa Rica, Croatia, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Guatemala, Guyana, Haiti, Honduras, Israel, Italy, Jamaica, Japan, Republic of Korea, Mexico, the Netherlands, Nicaragua, Norway, Panama, Paraguay, Peru, Portugal, Slovenia, Spain, Suriname, Sweden, Switzerland, Trinidad and Tobago, the United States of America, Uruguay, and the Bolivarian Republic of Venezuela.

Our Board of Governors

All the powers of IDB Invest are vested in its Board of Governors, consisting of one governor and one alternate governor appointed by each member country. Among the powers of the Board of Governors that cannot be delegated to the Board of Executive Directors are the admission of new member countries, the engagement of external auditors, the approval of IDB Invest's financial statements, and the amendment of the Agreement Establishing the Inter-American Investment Corporation.

Our Board of Executive Directors

The Board of Executive Directors oversees the operations of IDB Invest and exercises all the powers granted to it under the Agreement Establishing the Inter-American Investment Corporation or delegated to it by the Board of Governors. The 13 executive directors and their alternate executive directors serve three-year terms, representing one or more member countries. The Board of Executive Directors establishes the basic organizational structure of IDB Invest and approves the institution's budget as well as all loans and investments with certain exceptions where this authority has been delegated to Management.



Our Leadership

Inter-American Development Bank President Ilan Goldfajn serves as ex-officio Chair of the Board of Executive Directors of IDB Invest. As General Manager and CEO of IDB Invest, James P. Scriven handles the day-to-day business and is responsible for establishing its operational structure and appointing its senior management and staff.

Senior Management

IDB Invest's senior management is a gender-balanced team of professionals from both borrowing and donor member countries of the IDB Group. Collectively they draw from a wealth of experience in international development, national government, commercial and investment banking, risk management and the law.

Staff

To fulfill its development mission, IDB Invest has 447 employees distributed in five departments. Of the total, 30% of employees are located in 24 of the IDB Group's 26 offices in Latin America and the Caribbean: Argentina, The Bahamas, Barbados, Belize, Brazil, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Haiti, Jamaica, Mexico, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago and Uruguay. The rest of the staff are located at IDB Invest headquarters in Washington, D.C.

Country	Executive Director or Alternate Executive Director
Argentina and Haiti	Guillermo Alberto Francos (Argentina) Marcelo Daniel Brag (Argentina)
Austria, Belgium, Germany, Italy, the Netherlands, and the People's Republic of China	Ralf Ernst Schroeder (Germany) Huafend Liao (China)
Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago	Robert Lennard Le Hunte (Trinidad and Tobago) Navita Anganu (Guyana)
Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua	Thelmo Vargas Madrigal (Costa Rica) Diego Aycinena Abascal (Guatemala)
Bolivarian Republic of Venezuela and Panama	Gustavo Tarre Briceño (Venezuela) Carlos Alberto Vallarino Rangel (Panama)
Brazil and Suriname	Martha Seillier (Brazil) Anita Fiori de Abreu (Brazil)
Canada, Denmark, Finland, France, Norway, Sweden and Switzerland	Caroline Leclerc (Canada) Renaud Lassus (France)
Chile and Colombia	Carlos Eduardo Álvarez Voullieme (Chile) Roy Alejandro Barreras Cortés (Colombia)
Croatia, Israel, Japan, Portugal, Republic of Korea, Slovenia and Spain	Alberto Nadal (Spain) Deok Young Jeong (Korea)
Dominican Republic and Mexico	Mario Alejandro Gaytán González (Mexico) Ernesto Alejandro Selman Mejía (Dominican Republic)
Ecuador and Peru	Vacant Jorge Emilio Gallardo Zavala (Ecuador)
Paraguay, Plurinational State of Bolivia, and Uruguay	Germán Hugo Rojas Irigoyen (Paraguay) Santiago Cat Ruprecht (Uruguay)
United States of America	Vacant María Fabiana Jorge (United States of America)

IDB Invest 2022 TCFD Disclosure

IDB Invest announced its support for the Task Force for Climate-related Financial Disclosures (TCFD) recommendations in November 2019, acknowledging the risk that the climate crisis poses to investment portfolios and to the global financial system at large. Since then, the recommendations have provided a framework to guide IDB Invest's advancement as a climate-smart development finance institution. This report marks IDB Invest's fourth TCFD disclosure.

Highlights 2022:

IDB Invest Management approved Paris Agreement (PA) Alignment Implementation Approach in an effort to align financial flows to countries' commitments under the PA, grounded in each country's Nationally Determined Contribution and circumstances by 2023.

The Board of Executive Directors' Audit Committee became the Audit and Risk Oversight Committee (ARC), expanding its oversight of financial and non-financial risks.

Ongoing capacity building on technical climate change topics for the Board.

Governance

Board oversight of climate-related risks and opportunities

The IDB Invest Board of Executive Directors (the "Board") is comprised of 13 chairs representing the 47 member countries. These members include 26 regional countries, all of which are located in Latin America and the Caribbean, and 21 members from other regions. The Board of Executive Directors maintains oversight of climate-related risks and opportunities through the following channels, documents, and procedures, which are reviewed on a periodic basis. It is further worth noting that in the reporting year, the Audit and Risk Oversight Committee (ARC), which was formerly known as the Audit Committee of the Board, was expanded to expand the Board's oversight of both financial and non-financial risks in relation to the risk policies established by the Board. Policies and strategic documents approved by the Board:

- IDB Group Climate Change Action Plan 2021-25
- Update to the Institutional Strategy
- IDB Group Corporate Results Framework 2020-2023
- IDB Invest Sustainability Policy framework including the Environmental and Social Sustainability Policy, the Implementation Manual and the Environmental and Social Exclusion List.
- IDB Invest Business Plan 2020-2022

Board responsibilities and activities:

- The Board receives quarterly updates on climate-related issues, including strategy, risk management and metrics aspects.
- The Board monitors the achievement of institutional targets on both climate risk and climate finance through the Corporate Results Framework.
- The Board approves investment proposals, which include any material information on climate risks and opportunities, with certain exceptions where this authority has been delegated to management.
- The Board receives technical briefings which encompass IDB Invest's climate-related activities as well as associated risks and opportunities. As an example, the IDB Group Climate Change Action Plan Implementation Progress Report was submitted for discussion to the Board's Policy and Evaluation Committee (PEC).

Capacity building and training:

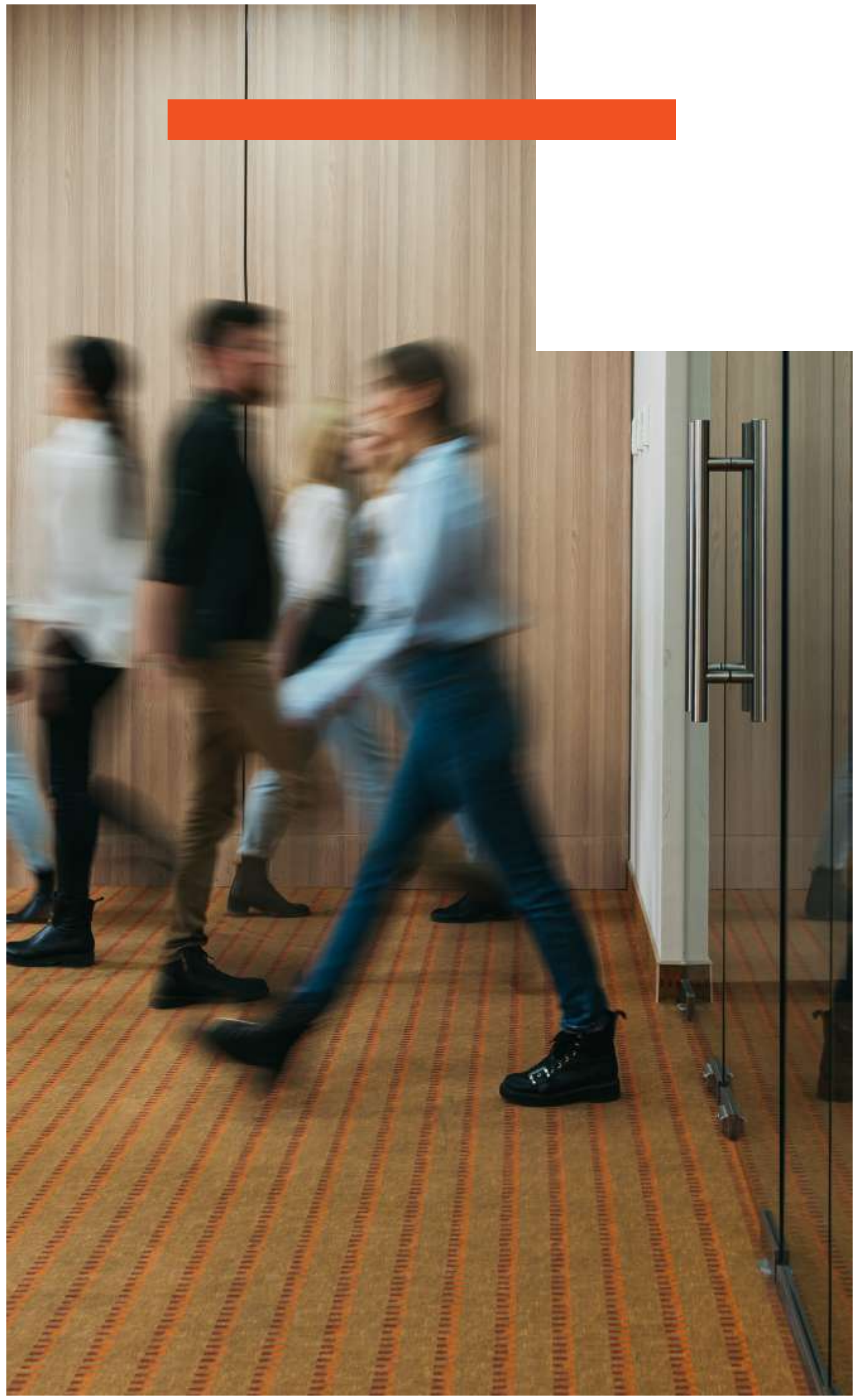
Building on trainings in previous years, the Board has been further strengthening its capacity on climate-related issues through training provided by IDB Group staff and external experts in 2022. The capacity building agenda included aligning financial flows to the PA, non-financial risks and the Sustainability Policy framework.

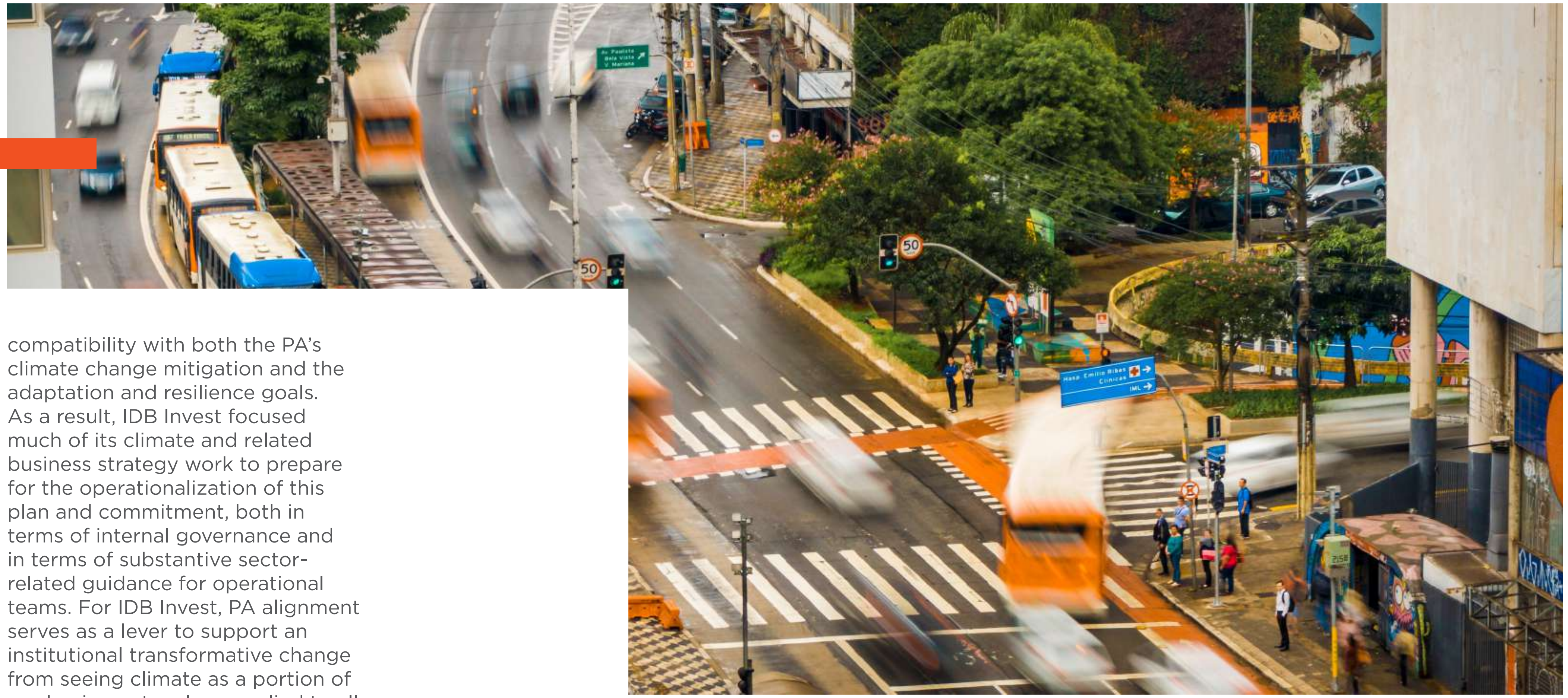
Management's role and management committees

IDB Invest Management is responsible for monitoring both climate-related risk and opportunity outcomes. The Department of Strategy and Development, headed by the Chief Strategy Officer, acts as a sustainability hub within the organization and includes various climate specialists. The department is responsible for the development of climate-related methodologies, frameworks, and strategic and operational approaches. Within the department, the Advisory Services Division provides operational support as well as all frontline activities which involve IDB Invest's climate strategy and engagement. The Head of Climate Change regularly briefs senior management on implementation of climate change strategy and results. Furthermore, the Environmental, Social and Corporate Governance Division assesses climate-related physical and transition risks for IDB Invest's transactions.
Additionally, the Risk Management Department, headed by the Chief Risk Officer, includes an Environmental and Social Risk team. It covers issues related to climate risk management at the portfolio level, compliance and internal outreach. Its mandate and processes are further described in the Risk Management section.

Committees

- The Senior Management Committee, chaired by the General Manager, is a forum for the IDB Invest senior management team to discuss high-level strategic matters related to IDB Invest's operations, administration and governance. The committee approved IDB Invest's PA Alignment Implementation Approach.
- The Portfolio Supervision Committee, chaired by the Chief Risk Officer, meets every quarter to evaluate financial and non-financial risks at project and portfolio levels. It includes a discussion of the results from monitoring climate-related risks as well as any analyses performed at the portfolio level.
- The TCFD working group comprises representatives of all departments, namely General Management, Finance and Administration, Risk Management, Strategy and Development, Legal, and Investment Operations. The working group meets to direct the mainstreaming of climate-related risks and opportunities across the organization. The group's mandate consists of overseeing, managing, and coordinating IDB Invest's TCFD alignment process, including the annual TCFD Disclosure.





Strategy

Highlights 2022:

Strategy documents, sector-related and financial instrument-based guidedance for aligning with both the mitigation and adaptation goals of the PS were developed in 2022, providing a lever to support an institutional transformative change of truly mainstreaming climate.

IDB Invest strengthened its focus on climate adaptation financing in Latin America and the Caribbean at COP27.

IDB Invest advanced its market level interventions and offered client support, for instance by supporting a client in preparing to issue the first blue bond in Latin America and the Caribbean.

Climate change and business strategy

At the end of 2021, the IDB Group launched its plan of action to align new operations with the PA by 2023 and make its finance flows consistent with a pathway towards both low greenhouse gas (GHG) emissions and climate-resilient development. As such, from 2023 onwards IDB Invest has committed to assess new projects with respect to their compatibility with both the PA's climate change mitigation and the adaptation and resilience goals. As a result, IDB Invest focused much of its climate and related business strategy work to prepare for the operationalization of this plan and commitment, both in terms of internal governance and in terms of substantive sector-related guidance for operational teams. For IDB Invest, PA alignment serves as a lever to support an institutional transformative change from seeing climate as a portion of our business, to a lens applied to all new investments, embedded at the core of business origination efforts, financial and non-financial solutions, and risk and impact management.

The assessment of PA alignment follows the Methodological Approach developed jointly by multilateral development banks (MDBs). This approach consists of a series of technical frameworks for assessing alignment that ensure there is a clear approach for a range of financial instruments and financing types MDBs may use. The Joint MDB Methodological Approach acknowledges differences in the institutional and political realities of the MDBs and outlines the need for context-specific interpretation and operationalization of the approach for each MDB, given its respective mandate, climate foundation, and operational procedures. IDB Invest considers its PA alignment commitment an opportunity to refine and strengthen the climate-related workflows of the institution, by pursuing the integration of PA alignment assessment with other climate-related processes. IDB Invest's PA Alignment Implementation Approach was approved by the Senior Management Committee in 2022.

Climate-related opportunities

Historically, IDB Invest has been focused on increasing climate finance in its portfolio and retains a 30% climate finance target for its financing activities. At the same time, IDB Invest has sought to increase thought leadership and adopt and deploy new climate developments such as TCFD, PA alignment, net-zero actions, and more recently, by rolling out nature-based solutions with its clients. This continuous effort has been grounded in the ambition to generate new business opportunities for clients beyond the financing of climate projects. In 2022, this work included engaging clients to begin identifying nature-positive investments, blue finance, adaptation finance and alignment with the Taskforce for Nature-related Financial Disclosures (TNFD).

In particular, IDB Invest published a white paper during COP27 calling for a rapid increase in private-sector climate adaptation financing. The paper outlines opportunities for companies and investors to avoid future costs related to climate change and presents solutions to scale up adaptation finance.
IDB Invest has also been advancing the blue finance agenda. IDB Invest supported Banco Bolivariano in Ecuador in preparedness to issue the first blue bond in Latin America and the Caribbean that will include the TNFD recommendations, by supporting with blue bond framework and providing capacity building on TNFD. At the same time, IDB Invest provided advisory services to four clients to set their net-zero strategies and targets, including linking these targets to financial instruments such as issuing a net-zero sustainability-linked bond. Furthermore, IDB Invest is advancing on market-level climate interventions that can generate recommendations for enabling future investments on battery energy storage, green hydrogen as well as decarbonization of heavy industry.

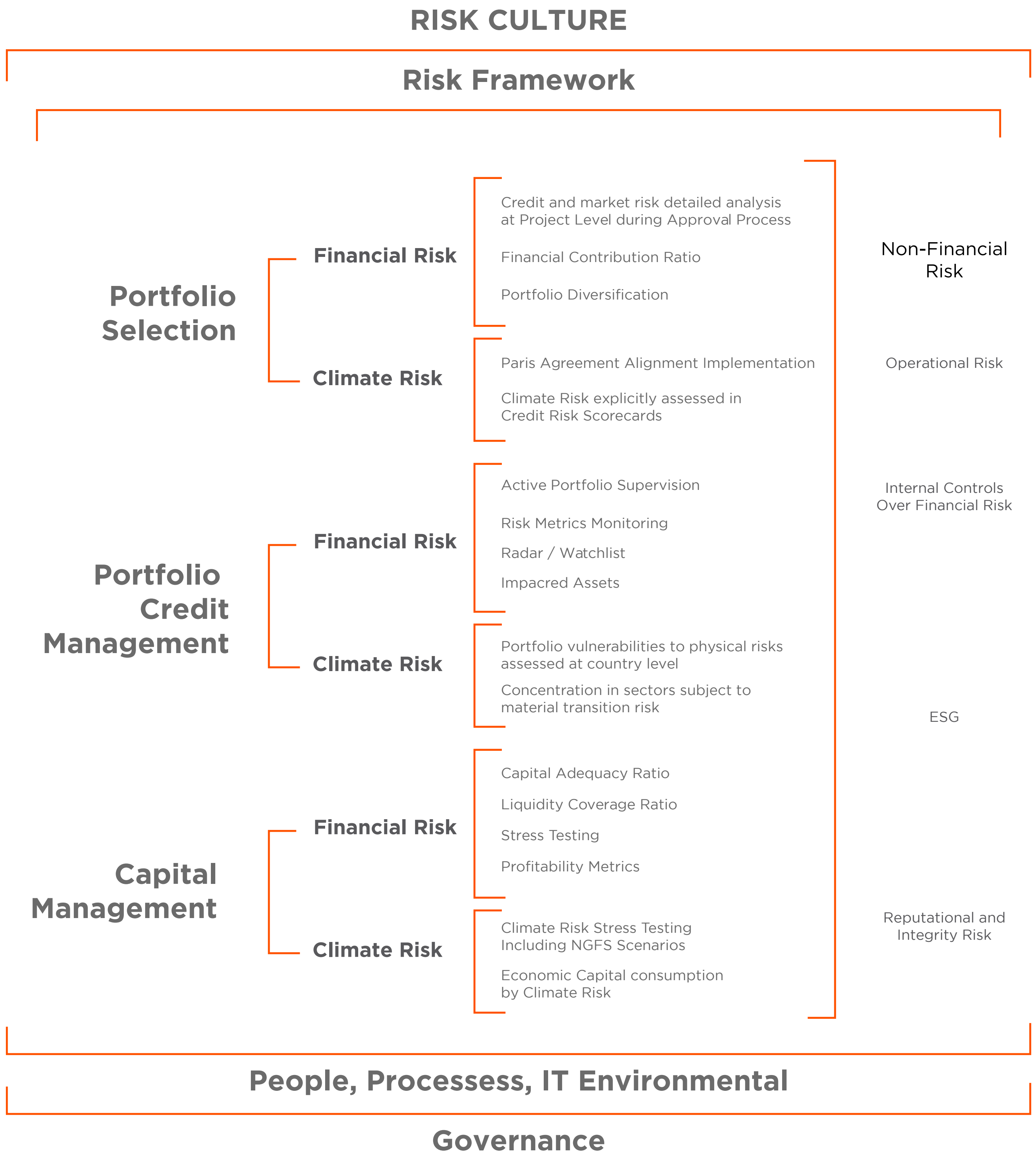
Risk Management

IDB Invest initiated the integration of climate-related risk analysis into existing financial risk framework.

Climate risk assessment processes were adapted to allow for PA alignment assessment in 2023. In assessing climate-related risks at the transaction level, IDB Invest conducted climate risk screening of 42 transactions.

In 2022, IDB Invest strengthened its climate-related risk management capabilities within the Risk

Management Department to fully integrate climate risks at the portfolio level. The Environmental and Social Risk Unit was strengthened to include dedicated staff on climate-related risk management and climate risk awareness. In addition, both the Credit Risk Division and the Financial and Operational Risk Division enhanced their internal risk processes, models and tools for the assessment and monitoring of climate-related risks such as the ones described hereinafter. Acknowledging that climate-related risks are cross-cutting and can be either classified as financial or non-financial, IDB Invest has adapted its internal risk framework to show that these risks can materialize through (i) portfolio selection, (ii) credit portfolio management, or (iii) capital management processes.



PA Alignment Implementation

The commitment to be PA aligned represents a significant step towards mainstreaming the assessment of climate-related risks and opportunities across the institution. However, the change management processes and operational adjustments related to this commitment, particularly during the project approval cycle, pose a risk to the institution. In some cases, the scope of the analysis is extensive, for instance if the project has a complex corporate structure or wide-ranging supply chain issues. Accordingly, reputational risks could be exacerbated if associated with any actual or perceived non-compliance with the full PA alignment implementation. As the institution gains more experience in assessing these issues during 2023, the processes will be streamlined, and the analyses and conclusions become more efficient and accurate.

Climate Risk explicitly assessed in Credit Risk Scorecards

IDB Invest utilizes credit risk scorecards depending on the type of client to determine probabilities of default (PD), and another scorecard to determine the Loss Given Default (LGD) for each debt-related transaction[9] . These risk parameters (PD and LGD) are then updated during the life of the transaction and used in different risk management applications that include the economic capital calculation (RAROC) and current expected credit losses (CECL).

In 2022, IDB Invest assessed external tools to incorporate environmental, social and governance (ESG) risks explicitly into the internal credit risk models. In 2023, IDB Invest will pilot a scorecard from an international credit rating agency that incorporates a detailed assessment of climate-related physical and transition risks. Pilot results are anticipated to provide input for the development of an ESG rating system.

Portfolio vulnerabilities to physical risks assessed at country level

IDB Invest has performed an analysis to assess vulnerabilities to physical risks, including flooding and wildfires, at country level. This analysis complements project-level climate risk assessments. As vulnerability and risk analysis at the portfolio level evolves, IDB Invest is planning to incorporate additional tools and perform more detailed analyses to better capture and understand the climate risk impacts at the portfolio level.

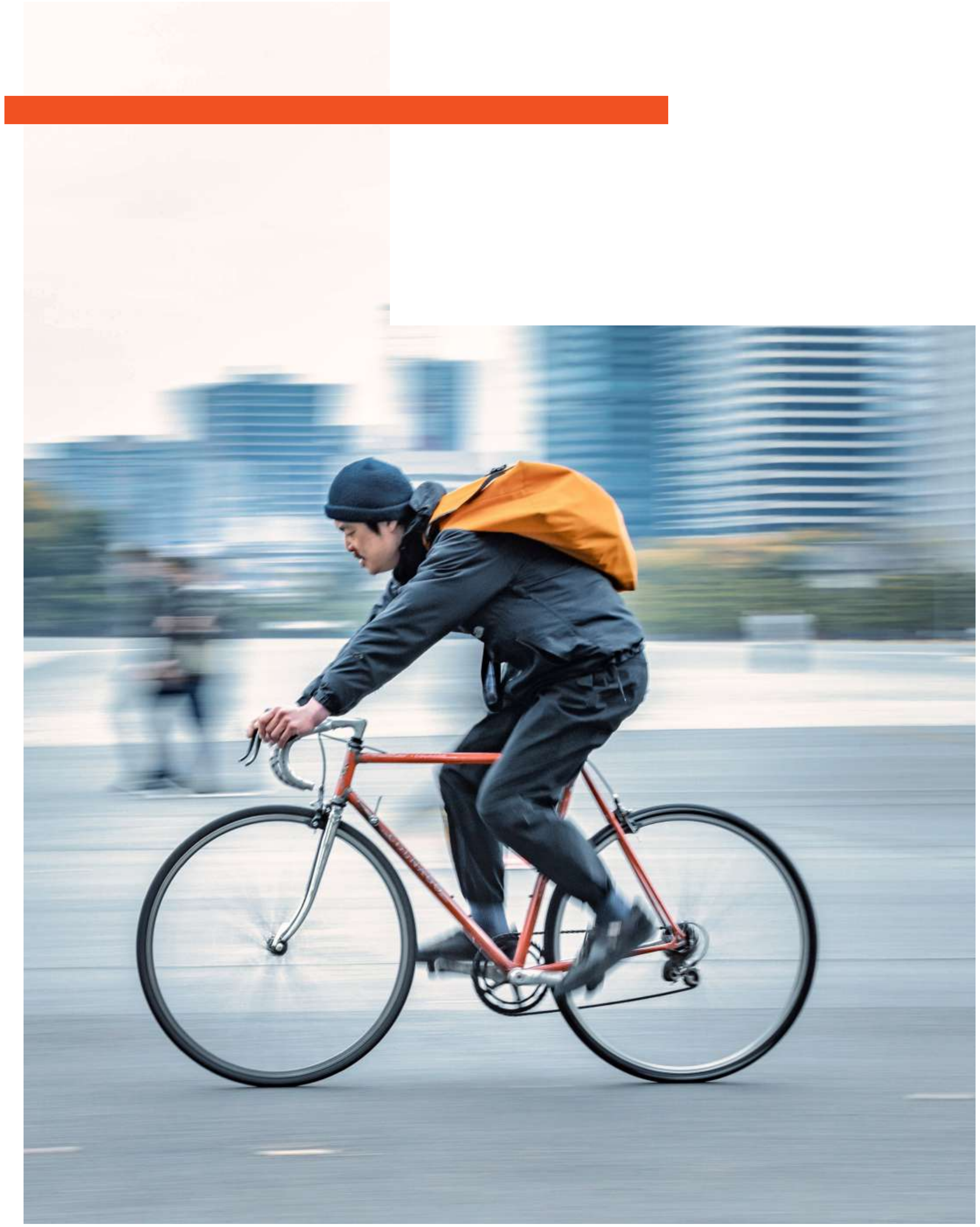
Concentration in sectors subject to material transition risks

In 2022, IDB Invest continued to strengthen its methodology at transaction level (see Climate Risk Assessment methodology). In 2023, IDB Invest plans to leverage on these assessments at the transaction level to determine the degree of exposure to transition risks and any concentrations at the portfolio level.

Climate Risk Stress Testing including Network for Greening the Financial System (NGFS) scenarios

In 2022, IDB Invest started to incorporate qualitative climate-related risk considerations in its stress tests. For example, the stress test on the “Russian War in Ukraine” showed that energy and agribusiness projects could be the most impacted, which coincides with the sectors with higher exposure to climate transition risks. Moreover, from a macroeconomic perspective, the stress test showed that countries that are heavily dependent on food

9 Note: Equity investments follow a different process with different metrics



and energy imports are the ones most directly impacted. While these vulnerabilities show double materiality effects from climate-related risks, they could also accelerate the transition to a low carbon economy with less carbon dependency following a concerted global effort to reduce dependency from food and oil imports from Russia. In 2023, the Risk Management department aims to strengthen the qualitative approach and start to incorporate quantitative climate-related risk considerations into its stress tests by applying scenario analysis.

Economic Capital Consumption by Climate Risk

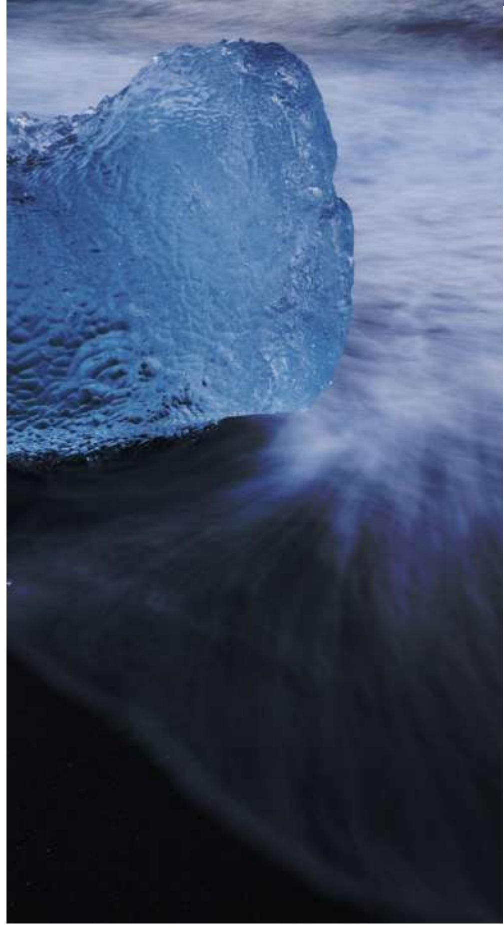
IDB Invest continued to strengthen its internal economic capital model, with a new and improved computation. Climate-related risks are implicitly considered as part of credit risk to the extent that these risks are captured in individual project ratings. On its path towards integrating and leveling up non-financial risk with financial risks, IDB Invest is examining ways to assign capital to specific risks such as climate-related physical and transition risks. As those risks become more relevant, they could represent risk concentrations or increase correlations among different risks, which are also key drivers of the economic capital consumption.

Climate risk assessment methodology

Anchored in the climate and natural disaster-related commitments in its Environmental and Social Sustainability Policy, IDB Invest has been applying a Climate Risk Assessment (CRA) methodology to its direct investments. The objective of the CRA is to identify and analyze both natural disaster and physical risks as well as carbon transition risks in a two-pronged process during transaction appraisal. As of the end of 2022, IDB Invest has screened 103 transactions for exposure to both physical and transition risks with the two respective tools as part of the Environmental and Social Due Diligence, summarized in one climate risk screening report. During the year it conducted 42 of these screenings.

Identification and assessment of physical risks

IDB Invest follows a three-step methodology to assess natural disaster and physical climate-related risks of its direct investments. The first step is a screening that leverages a geographical information system. Through this system, IDB Invest screens asset locations based on over 20 different acute and chronic hazard layers including exposure to heat waves, changes in precipitation patterns, riverine flooding, and hurricane wind hazard. This enables corroboration of client information and screening against both historical trends and exposures according to various climate models and scenarios. In an effort to strengthen its approach and to prepare for PA alignment assessment from a climate adaptation and resilience perspective, IDB Invest has added information based on an extensive literature review on sector sensitivity. It includes a hazard taxonomy and a narrative for priority sectors including hazards of most concern and their impacts on projects in the respective sector. As a result, the screening provides more sector-specific information and more intersubjectivity when assessing a given project.
Beyond the screening tool and narrative-based information, IDB Invest has been developing sector-specific tools to analyze site- and project-specific physical sensitivities and vulnerabilities. Both a tool for the agribusiness sector – AGRIADAPT

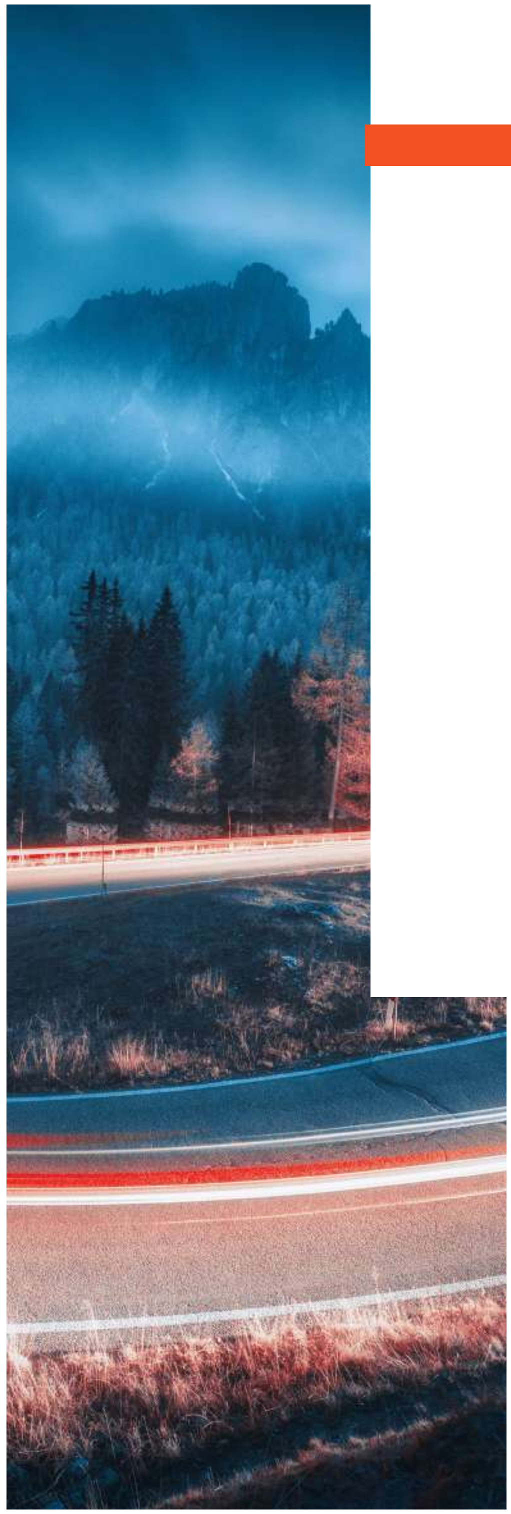


- as well as one for ports – RAPRI – are currently being piloted. Based on the RAPRI work, IDB Invest in September 2021 published 'Climate Risk and Ports: A practical guide on strengthening resilience', directed at port developers and operators.
Where applicable and in accordance with its Sustainability Policy, IDB Invest may also require or recommend climate risk management-related measures to clients as part of the Environmental and Social Action Plan. IDB Invest is actively leveraging synergies between this existing governance basis and process, and the new one in the context of PA alignment, related to assessing projects against the PA's adaptation and resilience goals.

Identification and assessment of transition risks

IDB Invest uses a semi-automated transition risk screening tool which classifies transactions into low, medium, or high exposure to transition risk. The scoring is based primarily on industry and location of the project and considers other factors such as supply chain exposure. The resulting report also provides qualitative details about the transition risk profile of the project to the transaction team. This includes information on the Nationally Determined Contribution (NDC) and climate legislation of the country, as well as information on industry-specific issues such as materiality of GHG emissions by scope and decarbonization levers and challenges. For projects with medium or high exposure, a deeper analysis, also with respect to GHG emissions, sheds additional light on carbon transition risk. If applicable, GHG emission estimations are made available in the publicly disclosed transaction's Environmental and Social Review Summary.
Transition risks are also considered when assessing a transaction's development effectiveness through carbon shadow pricing. IDB Invest has been working on its internal methodology in the last couple of years. It enables IDB Invest to apply a monetary measure of both emissions and emission reductions in its economic analysis. From 2023 onwards, IDB Invest will also consider transition and stranded asset risks as part of its broader PA alignment strategy when analyzing direct investments that are not considered universally aligned according to the Joint MDB Methodological Approach.

Metrics & Targets



Climate-related financial and non-financial solutions

IDB Invest financed a record $1.9 billion in climate change mitigation and adaptation projects during 2022. Over 70% of IDB Invest transactions included a climate finance component. Additionally, it also supported 46 private clients with climate change advisory services.

Climate-related financial and non-financial solutions

	2020	2021	2022
Climate finance (USD millions)	$1,441	$1,557	$1,937
Climate finance in IDB Invest operations (% of committed amount)[10]	23%	23%	29%
Projects supporting climate change mitigation and/or adaptation (% of new commitments)	48%	53%	60%
Clients supported with non-financial climate interventions (#)[11]	37	41	46

10 This figure refers to all financing, including short-term financing. The reporting according to the joint MDB methodology concerns medium- and long-term climate finance only

11 Number of new climate advisory services agreements signed with clients.

GHG corporate emissions and emission reductions

Since 2006 the IDB Group has been committed to carbon neutrality for its corporate operations. The Group fosters renewable energy and other corporate sustainability measures in its country offices with the objective of reducing corporate GHG emissions further every year. The IDB Group offsets residual emissions through a series of investments in carefully selected Verified Emission Reductions from projects in Latin America and the Caribbean. IDB Invest forms part of the annual selection committee responsible for this purchase.

The IDB Group monitors and reports key performance indicators including Scope 1, Scope 2 and Scope 3 GHG emissions according to Global Reporting Initiative (GRI) standards, presented as carbon dioxide equivalent (CO2e). Details regarding the IDB Group's corporate emission reduction track record and management may be found in the annual IDB Sustainability Report. IDB Invest discloses metrics pertaining to pro-rated IDB Group data based on the proportion of employees working at IDB Invest in Table 2. Further information on the IDB Group's corporate GHG emissions may be found in the annual IDB Sustainability Report as well as the forthcoming IDB Invest Sustainability Report.

GHG metrics relating to corporate activities[12]

	2019	2020	2021	2022
Direct (Scope 1) GHG Emissions (t CO2e)	146	111	252	118
Energy-related indirect (Scope 2) GHG Emissions using the location-based approach (t CO2e)	1233	873	1015	1017
Energy-related indirect (Scope 2), using the market-based approach reflecting Renewable Energy Purchases (t CO2e)	236	162	855	403
Other indirect (Scope 3) GHG emissions, excluding emissions pertaining to financed operations (t CO2e)	1,791	282	130	871

12 These metrics relate to the IDB Group figure, prorated with the proportion of employees working for IDB Invest (i.e. 12.8% in 2019, 13.8% in 2020, 15.1% in 2021, 14.9% in 2022). Further information on the carbon accounting methodology, reduction targets and carbon neutrality is available in the IDB Sustainability Report and its Global Reporting Initiative Annex.

GHG financed emissions and emission reductions

In January 2022, IDB Invest inaugurated an in-house GHG emissions and reduction reporting system, tailored for its investment areas. The scope is limited to its development-related assets. The system allows for the following:

- Estimates both construction and operation phase emissions with built-in emission factors during the due diligence of a project.
- Enables integrated GHGemissions and reductions reporting while the project is part of IDB Invest's portfolio.
- Enhances efficiencies and reduces operational risk.

A metric that IDB Invest monitors and reports is financed emissions, which relates to the GHG Protocol's Scope 3 Category 15: Investments and is not part of the corporate emissions reporting. IDB Invest measures absolute GHG emissions of transactions expected to produce above 25,000 metric tons CO2e per annum. Transaction-specific GHG information is disclosed as part of the Environmental and Social Review Summary published for every project in accordance with its Access to Information Policy. For the aggregated data in Table 3, only project finance-related transactions are currently in scope for the reporting.

IDB Invest also measures and reports on GHG emission reductions of projects financed. This metric includes climate change mitigation actions under the different Intergovernmental Panel on Climate Change (IPCC) sectors. Estimations are based on a counterfactual, by comparing projects to a 'without project scenario'.[13]

GHG metrics relating to financing activities

		2019	2020	2021	2022
Active portfolio in reporting year, estimated and reported data (t CO2e)	GHG emissions[14]	3.8M	4.2M[15]	4.8M	4.0M[16]
	GHG emission reductions[17]	9.8M	11.8M	13.2M	14.2M
New projects closed in reporting year, estimated figures expected in a representative year (t CO2e)	GHG emissions[18]	1.8M	118K	N/A[19]	1,5M[20]
	GHG emission reductions[21]	374K	2.0M	815K	1.1M

13 The estimation of net avoided GHG emissions is performed following the practices of the Clean Development Mechanism (CDM). For instance, avoided emissions are calculated as the product of electricity generation from clean sources, or low carbon, by the relevant emission factor. The emission factor is chosen to better reflect the emissions associated with the counterfactual scenario, and its selection takes into account the project technology and context. At the structuring stage, the analysis is based on the most recent emission factor from official sources or, in the absence of information, from the Default Grid Emission Factor Dataset, produced by the International Financial Institutions Technical Working Group on GHG Accounting (IFI TWG).
14 This figure refers to estimated gross combined Scope 1 and 2 GHG emissions of project finance transactions emitting over 25,000 t CO2e per year, which were in the active portfolio of IDB Invest in the respective reporting year. This figure excludes biogenic GHG emissions from stationary sources.
15 This figure may differ from the reported figure in the 2021 TCFD Disclosure as it depicted provisional data at the time.
16 Provisional data.
17 This figure refers to the estimated GHG emissions reduced per year by projects that were in the active portfolio of IDB Invest in the reporting year. Reductions from investments in Financial Institutions are not included.
18 This figure refers to estimated gross emissions from project finance transactions emitting over 25,000 t CO2e per year, which were closed in the reporting year, calculated as the annual emissions expected to be produced during a representative year. This figure excludes biogenic GHG emissions from stationary sources.
19 In 2021, IDB Invest did not close any project finance transactions whose annual combined Scope 1 and Scope 2 emissions were expected to be above 25,000 t CO2e during a representative year.
20 Provisional data.
21 This figure refers to the estimated GHG emissions reduced per year by new projects closed in the reporting year. Reductions from investments in Financial Institutions are not included.

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