IDB | Invest

Scaling IMPACT

ANNUAL REPORT 2023

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CHAIRMAN'S LETTER *OF TRANSMITTAL*

Mr. Chairperson,

When I joined the IDB over a year ago, I was committed to making a difference – and what a difference a year makes. I believe we've achieved a great deal, but I'm also clear-eyed on how much we must still accomplish.

Latin America and the Caribbean faces what I've called a "triple challenge" – a scenario in which citizens are increasingly demanding better services and less inequality, while financially constrained governments are finding it harder to meet those demands, and low investment and productivity continue limiting the generation of additional resources. In addition, it faces the consequences of climate change and its devastating impact on countries.

But the region is potentially at an inflection point. For decades, the region has been viewed through the lens of its needs – its need for financing, its need to reduce debt. But today, the world also needs the region, as it is part of the solution for the world's global challenges, such as the necessary energy transition, food insecurity and preserving nature and biodiversity. The current context presents opportunities that the region should seize.

As the private sector arm of the IDB Group, IDB Invest plays a major role in seizing these opportunities and helping the region deal with the triple challenge, by connecting the significant and diverse development needs of each country with global impact investors. The report contains a summary of IDB Invest's main achievements during this period.

IDB Invest had a record year with total activity surpassing $10 billion, including $5.3 billion in mobilized resources from private investors. This was accomplished while bolstering areas such as climate change financing, financial innovation to mobilize more resources, and increased partnerships to tackle the challenges that the region is facing today.

But as I continue to emphasize, we measure success not by the dollar amount we lend or by the number of projects we approve, but by the concrete, measurable, large-scale impact we have on countries and lives – and by extension, on the world. There are numerous examples of these operations this year like financing our first lithium project to transform green energy in Argentina with Sal de Vida, investing in the first of its blue bond to support ocean conservancy and circular economy in Ecuador with Banco Bolivariano, and scaling affordable healthcare in Brazil through an innovative health-tech model with dr. consulta.

As we look ahead, the proposed Institutional Strategy and the proposed reforms to be developed alongside focus on delivering impact on a large scale. Scale without meaningful impact is not productive, and impact without scale would lead to insufficient results for today's challenges. Our only viable option is to seek impactful results on a large scale.

With the support of our members, IDB Invest aims to implement a new business model to scale its impact. That will mean increasing the development effectiveness of its operations, ensuring investments are flowing to projects with the highest opportunity for impact in each country, and increasing the volume of investment it directs to projects in LAC through the originate-to-share business model, thus multiplying its impact by achieving more volume and more impact-per-dollar.

With patience and perseverance, I am convinced that we can achieve these goals and make the IDB Group not only a bigger but a better bank to meet the needs of Latin America and the Caribbean and its people.

I look forward to working toward these objectives and pledge to take ambitious action, in partnership with you.

Ilan Goldfajn

MESSAGE FROM THE CEO

This year marks a pivotal moment in the evolution of IDB Invest. As a member of the IDB Group, our mission is to improve people's lives by partnering with the private sector. And since we began operations eight years ago, we have built an organization capable of impacting the lives of millions of people throughout Latin America and the Caribbean.

Today, we are a team of 455 deeply committed people spread across 26 member countries.   We have the capability, the relationships and the strong local presence necessary to attract private investment to address the most critical development challenges.

We are financing novel approaches to climate change mitigation and adaption. Our projects help to generate jobs by accelerating the growth of micro, small and medium enterprises. We invest in enterprises that improve food security and advance the green energy transition. And in everything we do, we promote gender equality, diversity and inclusion.

IDB Invest's total activity in 2023 reached $10.7 billion, of which $5.4 billion came from mobilizing resources from private investors.

This historic figure was driven by pathbreaking projects such as a B bond that enabled Chile to stabilize electricity prices and a loan to AES that will help the Dominican Republic to sharply increase its non-conventional renewable energy capacity.

Last year we also reached $2.3 billion long term commitments and $3.5 billion in short term commitments, allowing us to surpass our investment goals. Notably, in the case of Small and Island Countries (S&I), we exceeded our target of investing 10% of our financing in those countries.

Eight years ago, IDB Invest started out as a single-product, single-currency institution. Today, we operate in eight different currencies and are deploying a comprehensive toolbox of financial products and advisory services.

We are proud to report that our financial position has been strengthened through our strategic portfolio management, as validated by all the major rating agencies. Last year, we passed the milestone of $20 billion in assets under management for the first time, in a clear reflection of the strength of our institution.

Alongside other multilateral development financing institutions, we have championed the G20's recommendations regarding the Capital Adequacy Framework (CAF). This has allowed us to achieve higher levels of efficiency and optimization, thereby enhancing our operational capacity.

Last year we published our first Sustainability Report, as part of our continuing effort to show the impact of our projects and hold ourselves accountable to shareholders.

In 2023, we achieved our goal of ensuring that 100% of supported projects were aligned with the principles of the Paris Agreement on Climate Change. IDB Invest is one of the first multilateral development banks to adopt and implement this goal.

We are also fostering the financial innovation that is necessary to attract more impact investors to the region. For instance, we have supported the implementation of 38 thematic bonds, which channel private resources into critical social, environmental and climate initiatives. For example, we helped Ecuador to structure a blue bond that will help to protect the Galápagos Islands, one of the planet's most biodiverse areas.

As part of the IDB Group, we are actively engaged in the Amazonia Forever program, forging partnerships and projects to drive sustainable development in this critical region, which spans several countries in South America. During COP28 in Dubai, we announced the establishment of the Amazon Financial Network, together with more than 20 financial institutions that are committed to supporting local initiatives.

We know that tackle our region's multiple emerging challenges, we must join forces and leverage resources with other actors. That is why we are actively developing new partnerships with key players in development banking, such as the IFC, MIGA, and DFC, among others.

We have now laid the foundations that will enable IDB Invest to achieve even greater impact in the future. During the 2023 Annual Meeting in Panama, our governors endorsed a new vision for our institution in which we take on more risk and harness innovation to expand our footprint and address the most pressing development challenges. This will enable us to achieve

even greater results in areas ranging from job creation and food security to basic services and emerging value chains.

As a revitalized institution, we are more confident that ever of our ability to complete this mission. The time is now. Let's scale impact together.

James P. Scriven

FINANCIAL *SUMMARY 2023*

	YEARS ENDED DECEMBER 31				
Financial Highlights[1]	**2019**	**2020**	**2021**	**2022**	**2023**
Income Statement					
Net income	$43,871	$6,888	$130,925	$104,590	**$163,934**
Development related investments income, net	100,434	75,429	251,487	269,561	**527,173**
Total other income	84,709	94,929	92,199	97,484	**75,537**
Borrowings expense	(44,570)	(47,957)	(62,896)	(117,529)	**(242,484)**
Total other expenses	(130,265)	(153,175)	(172,455)	(180,868)	**(162,658)**
Total assets	$3,899,824	$6,424,312	$7,551,424	$9,401,218	**$11,328,234**
Development related investments, net	2,445,809	4,176,889	5,383,830	6,207,178	**7,992,110**
Liquid assets	1,360,413	2,120,628	1,957,960	2,586,159	**2,618,396**
Borrowings	1,648,146	3,908,457	4,612,629	5,784,297	**7,305,544**
Total capital	2,033,062	2,108,214	2,474,774	2,964,362	**3,229,889**
Ratios					
Leverage ratio	0.8	1.9	1.9	2.0	**2.4**

[1] Refer to the FY2023 IDB Invest Information Statement for IDB Invest's Management Discussion & Analysis and Financial Statements.

01

DELIVERING IMPACT THROUGH THE PRIVATE SECTOR

IDB Invest continues its growth to support the region through the private sector. In 2023 our total activities reached

$10.7 billion

A significant and growing portion of this volume has come through **core mobilization, which totals $19.2 billion. As of 2023, *IDB Invest* reached a total of $20.5 billion in Debtor Risk Assessment** exposures under management and has a portfolio of more than 500 clients.

In 2023, core mobilization reached $5.4 billion, exceeding the $2.5 billion target. In recent years, *IDB Invest* has continued diversifying its mobilization instruments, including insurance-like products, to create assets that match the appetite of a wider range of co-investors.

For example, *IDB Invest* has been **innovating by creating structures** that allow clients to access local currency credit and by launching its first B-bond structured under a 144A/ Regulation S format, **which will allow for the mobilization of more institutional investors.**

Management has also expanded the use of insurance products for short-term finance due to a revision in Fitch Ratings' methodology to assess the credit enhancement of insured assets. This change follows an ongoing dialogue between the rating agency and Management as part of the efforts to implement the recommendations of the G20 Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks .

Gender, Diversity and Inclusion

47% **of projects**

In 2023, *IDB Invest* continued to build on its track record of attaining key performance indicators.

Climate Finance

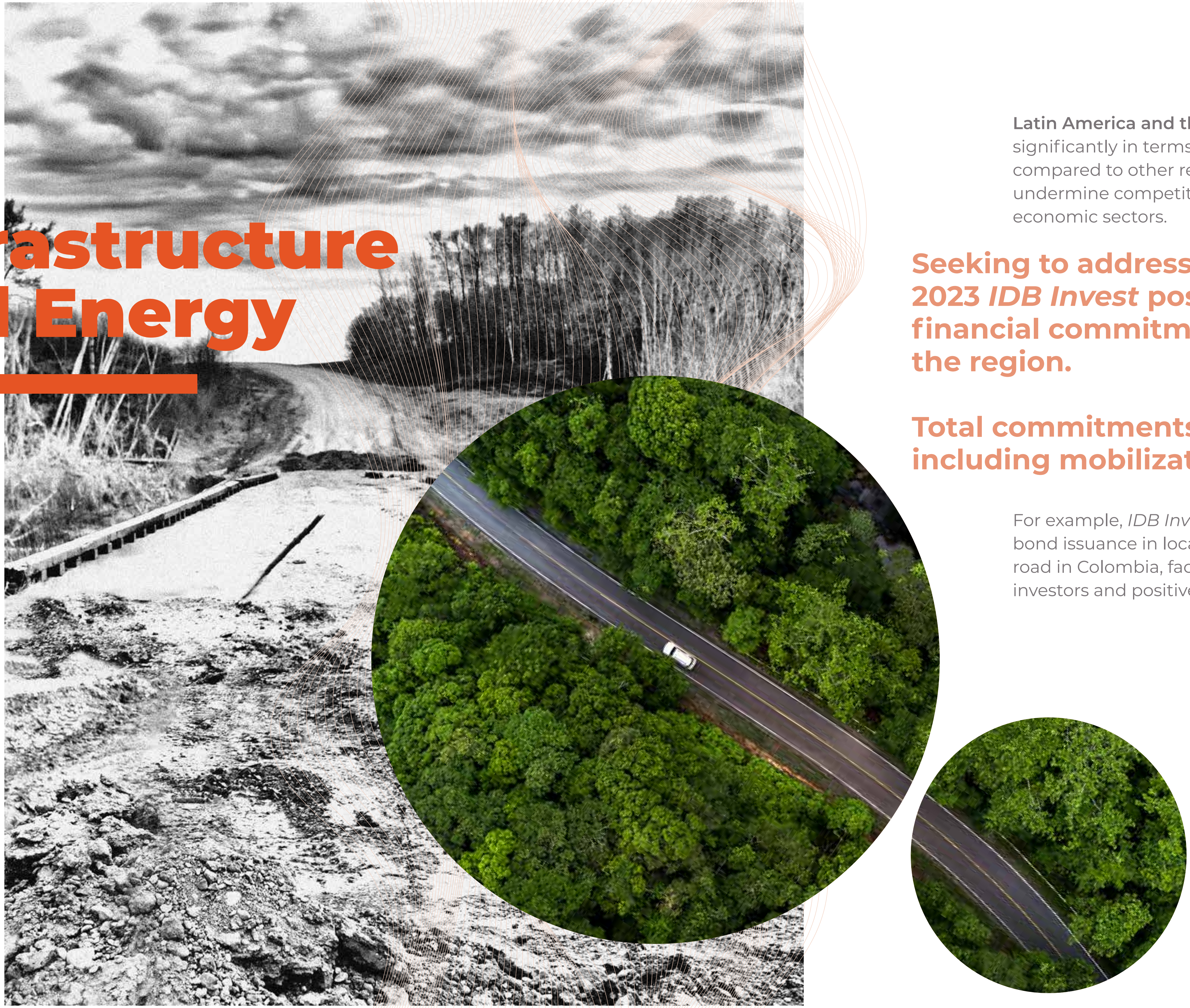
32% **of total commitments**

IDB Invest bolstered its **pledge to increase climate finance, which reached 32% of total commitments in 2023.** When harmonized with the definition used by other MDBs (which excludes short-term lending), this portion reaches 51%. Considering *IDB Invest's* core mobilization, it is 53%.

IDB Invest remained a market leader in mitigating and adapting to climate change. In its first year of assessing all its new operations, it confirmed that 100% were aligned with the Paris Agreement.

In turn, the portfolio of operations in C&D countries (small and vulnerable) was at 38% of total commitments at the end of the year, on track to deliver on the 40% target by 2025.

Infrastructure and Energy

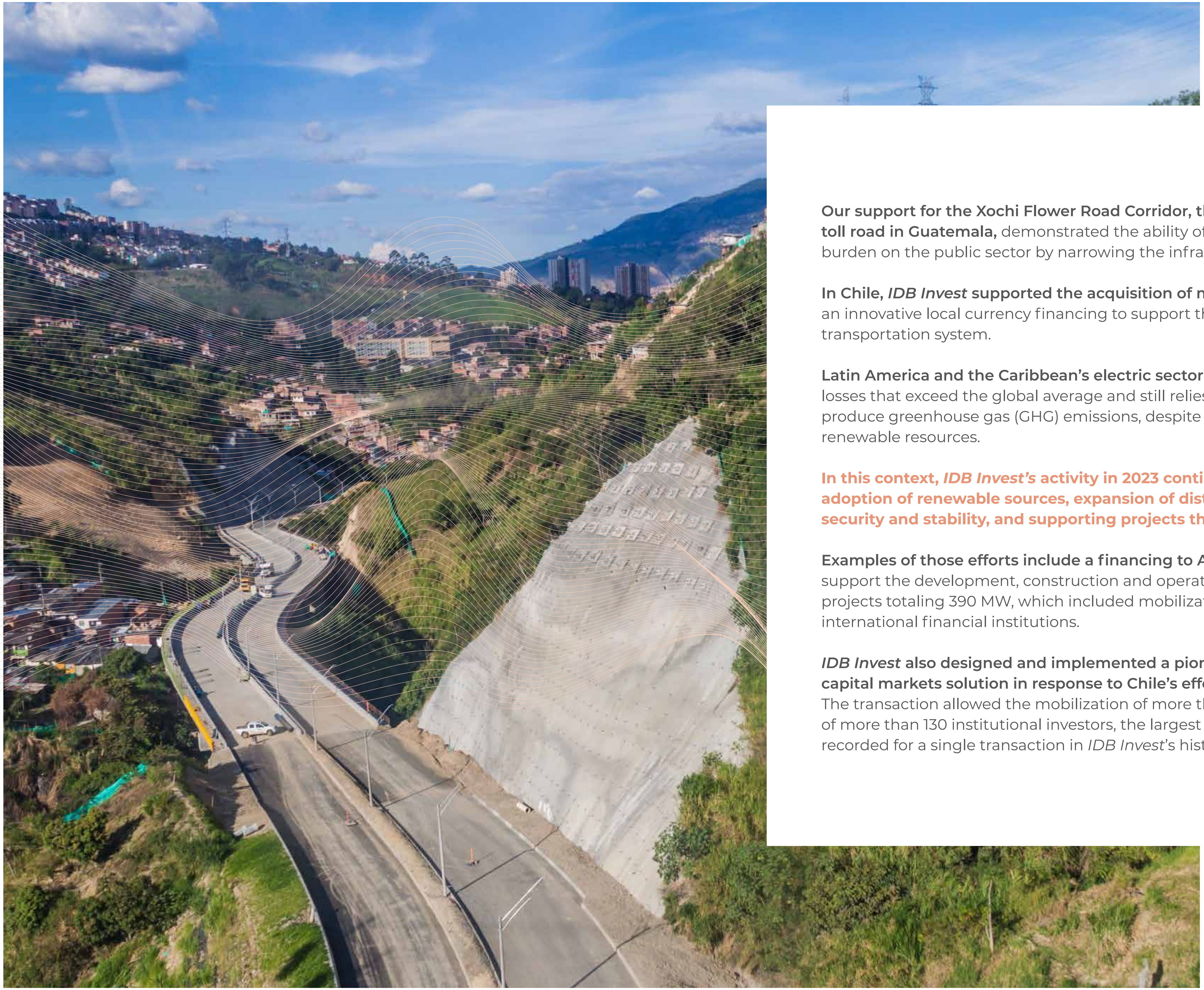


Latin America and the Caribbean continues to lag significantly in terms of infrastructure investment and quality compared to other regions of the world. These gaps directly undermine competitiveness and create challenges for all economic sectors.

Seeking to address these shortfalls, during 2023 *IDB Invest* posted record levels of financial commitments and mobilization to the region.

Total commitments reached $3.8 billion, including mobilization of $2.1 billion.

For example, *IDB Invest* acted as anchor investor for a social bond issuance in local currency for the Pamplona-Cucuta toll road in Colombia, facilitating the mobilization of institutional investors and positively impacting the users of the toll road.



Our support for the Xochi Flower Road Corridor, the first privately developed and operated toll road in Guatemala, demonstrated the ability of the private sector to reduce the financial burden on the public sector by narrowing the infrastructure gap.

In Chile, *IDB Invest* supported the acquisition of more than 1,000 electric buses through an innovative local currency financing to support the decarbonization of Santiago's public transportation system.

Latin America and the Caribbean's electric sector experiences technical and non-technical losses that exceed the global average and still relies significantly on technologies that produce greenhouse gas (GHG) emissions, despite an increasing share of generation through renewable resources.

In this context, *IDB Invest's* activity in 2023 continued to focus on accelerating the adoption of renewable sources, expansion of distribution networks, promotion of energy security and stability, and supporting projects that introduce innovation.

Examples of those efforts include a financing to AES in the Dominican Republic to support the development, construction and operation of a portfolio of renewable energy projects totaling 390 MW, which included mobilization of more than 20 local, regional and international financial institutions.

***IDB Invest* also designed and implemented a pioneering supply chain finance and capital markets solution in response to Chile's efforts to stabilize the cost of electricity.** The transaction allowed the mobilization of more than $1.1 billion, through the participation of more than 130 institutional investors, the largest amount and number of investors ever recorded for a single transaction in *IDB Invest*'s history

Corporates

During 2023, projects continued to create impact through agribusiness, manufacturing, tourism and digital economy sectors. Total commitments reached $3.5 billion, including mobilization of $1.3 billion.

IDB Invest supported the digital economy ecosystem by employing diverse financial instruments. For instance, providing a Standby Letter of Credit to Tigo in Colombia was pivotal in amplifying mobile broadband services in rural areas.

IDB Invest exhibited innovation in Costa Rica by issuing a pioneering capital markets instrument - the first B-bond of an MDB under a 144A/ Regulation S format. This groundbreaking move facilitated essential financing to Liberty, enabling the expansion of coverage and implementation of technology upgrades while establishing a roadmap with concrete actions to mitigate the adverse effects of climate change.

To complement these initiatives, *IDB Invest* effectively utilized supply chain financing solutions, including account receivables, to enhance access to smartphone devices in the region.

Moreover, *IDB Invest* contributed to advancing tech-enabled disruptive business models by strategically investing in Tembici, a bicycle-sharing platform, and engaging in structured financing with Habi Mexico, an online home listing platform.
These concerted efforts underscore *IDB Invest*'s commitment to fostering innovation, expanding connectivity, and addressing environmental challenges in the evolving landscape of the region's digital economy.

This is most evident in *IDB Invest's* support of Tropicalia, a sustainable mixed-use project in a new destination in the Dominican Republic, and Namu Travel, a revolving facility to a Costa Rica-based travel agency with regional operations that will support over 400 SMEs in LAC.

These projects are a testament to *IDB Invest*'s commitment to Small and Island Countries, the promotion of solid sustainability practices, and the exploration of innovative concepts given the tourism sector's relevance in the region.

In the manufacturing sector, *IDB Invest* continued promoting investment to support job creation and productivity gains across different industries, promoting best practices in the circular economy as well as supporting industrial facilities to increase nearshoring opportunities.

In alignment with the *IDB Group's* goal to support the region in leveraging its mineral resources for sustainable and inclusive growth, *IDB Invest* promotes responsible investments in energy transition minerals, and, at the same time, strengthens social and environmental sustainability.

As an example, *IDB Invest,* for the first time, financed a transaction in this space through the Sal de Vida greenfield lithium project, which involves the construction and operation of a lithium carbonate (LCE) plant with a capacity of 15,000 tons per year (equivalent to 50% of Argentina's lithium production in 2022).

IDB Invest stepped up its efforts to provide appropriate long-term financing to support projects that contribute to food security in the region, improving efficiency and productivity, as well as developing specific advisory services to tackle food loss and waste across value chains and helping activate localized production and procurement, and minimize environmental footprint.

***IDB Invest* also strengthened its gender equality and inclusion support to companies in diversifying to include more women, minority providers and small farmers in their supply chain.**

Despite tourism activity observing significant improvement from 2022, the recovery has been asymmetric across certain geographies (for example, in the Caribbean) and asset types (for example, leisure-oriented resorts). **As such, tourism financing across the region continues to be constrained as commercial banks tend to favor reduced-risk transactions focused primarily on refinancings and capital improvement projects of existing assets with an established track record and cash flows.**

Because local and regional banks do not want to take on too much risk in the tourism sector, MDBs like *IDB Invest* **must play a more significant role in countercyclical issues and support a broader range of projects.** For example, they can make a big difference in developing new destinations and disruptive tourism ideas.

Georgetown Guyana

Financial Institutions

One of the key priorities of *IDB Invest's* work with financial institutions is to increase financing for MSMEs in order to boost job creation and economic development in Latin America and the Caribbean, as well as to expand the social agenda; with a focus on gender, diversity, and inclusion, greening the region's financial sector and promoting digitalization.

To that end, during 2023, we expanded our different portfolios of operations with financial institutions, **reaching total commitments of $3.4 billion, including mobilization of $1.9 billion.**

In addition to financing, *IDB Invest* provides its clients advisory services to pursue specific development goals, such as improving transparency and governance practices and increasing financial inclusion to make services available to traditionally disadvantaged populations.

Among several high-impact transactions closed in 2023, our work with Cooperativa Jardín Azuayo in Ecuador stands out as an example of our value proposition. We helped this cooperative savings and loans association issue the world's first diversity and inclusion social bond with incentives linked to achieving key performance indicators.

IDB Invest helped Jardín Azuayo set up and issue a one-of-a-kind thematic bond, bringing in additional resources from a mobilization partner, increasing our value added to the client by using We-Fi resources from **the Women Entrepreneurs Financing Initiative (We-Fi) offering them performance-based incentives to sharpen the focus of its MSME portfolio for women, female migrants, and indigenous women.**

Other thematic bond issuances included **the world's first Blue Bond by private financial institution with Banco Bolivariano in Ecuador and with Banco de Bogota the first sustainable subordinated bond issued in international markets.** As of December 2023, *IDB Invest* had supported the issuance of 26 thematic bonds with financial institution clients in the region.

Following our mandate to expand the use of proceeds and related key performance indicators, we closed our first transaction involving food security through a partnership with Bancop in Paraguay, the first such deal to integrate MSME portfolio growth objectives with productivity boosting goals.

During the COP28 climate summit, *IDB Invest* and IFC announced the launch of the Amazon Finance Network, which brings together financial institutions to increase investment flows, mobilize capital, share knowledge on innovative financial solutions, and generate synergies with the public sector to foster sustainable growth across the Amazon region.

In line with this effort, we closed our first pilot operation with Sicredi in Brazil, including portfolio growth objectives for women-owned SMEs in the Amazon region and a results-based incentive scheme.

In the digital space, *IDB Invest* also committed an equity investment in Nazca's first early-growth fund, which aims to boost the growth of some of the most promising tech-enabled companies from Nazca's venture capital portfolio. **This investment also includes advisory services in GDI to further increase the funds' capacity for gender-lens investing and internal best practices.**

Additionally, *IDB Invest*'s early anchor investment in "LAC Green Debt Fund", the first private credit climate finance fund in LAC, was received by the market as a powerful endorsement, contributing materially to a successful fundraising.

In July, working closely with *the IDB and IDB Lab, IDB Invest* launched its Caribbean Series with successful workshops in Guyana and Suriname. A broad audience of clients, potential clients, service providers, and government representatives attended these events, which **resulted in direct business leads, as well as investment opportunities that are currently under consideration.**

Treasury's Funding Activities

***IDB Invest* finances its operations through the issuance of bonds in international capital markets. We diversify our funding sources and optimize our cost of funding by issuing in different markets and currencies.**

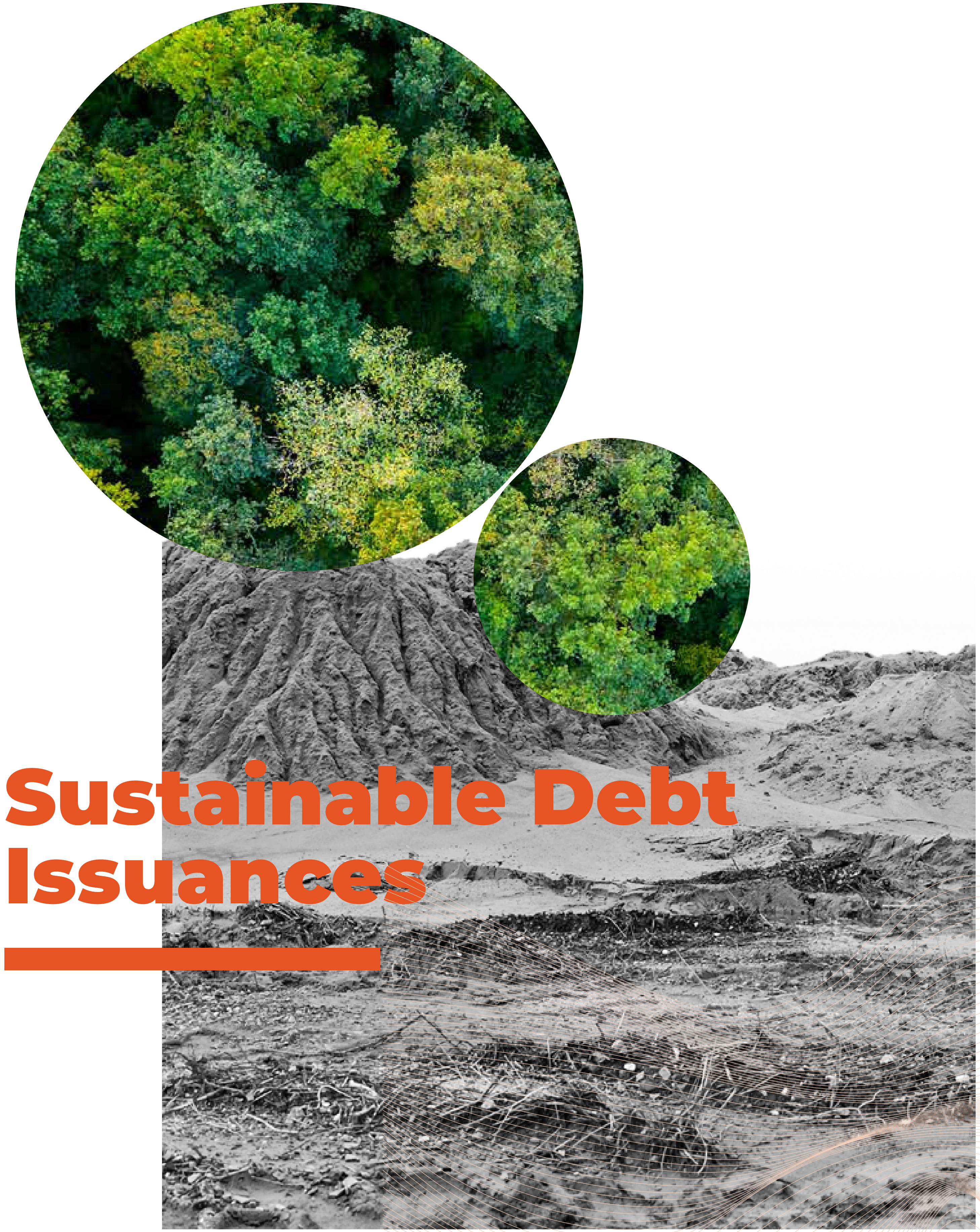
We also promote the development of capital markets in Latin America and the Caribbean by issuing local currency bonds in its domestic markets. As of year-end 2023, *IDB Invest*'s borrowings portfolio included debt denominated in eight currencies*.

A highlight of our program in 2023 was our second benchmark bond in the Euro market, a EUR$500 million (approx. $534 million) 7-year bond that became *IDB Invest's* longest benchmark bond to date and received strong demand from investors.

Also remarkable was our $500 million, 5-year bond issued in October. Investor demand for this bond was especially strong, with over 70 orders amounting to over $2.2 billion, making it the largest order book for an *IDB Invest* bond to date.

Local currency activities included a 3-year MXN$3.5 billion (approximately $192 million) domestic bond issued in Mexico, and a bank loan in Trinidad and Tobago dollars. We also used derivatives to fund local currency projects in Colombia and Brazil.

** USD, EUR, AUD, BRL, COP, MXN, PYG and TTD*



Sustainable Debt Issuances

***IDB Invest* issues green, social, and sustainability bonds under its Sustainable Debt Framework (*IDB Invest* Sustainable Bonds), aligned with the Green Bond and Social Bond Principles published by the International Capital Markets Association (ICMA).**

Vigeo Eiris, part of Moody's Environmental, Social and Governance (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.

In 2023, *IDB Invest* issued over $1.2 billion worth of sustainable bonds, raising the total amount outstanding of this kind of security to $5.1 billion, or 69% of our total outstanding borrowings.

Notable sustainable debt issuances included a $1 billion, 5-year USD sustainability bond, two 15-year green bonds denominated in Australian dollars, the MNX$3.5 billion, 3-year social bond mentioned earlier, and our first Colombian peso sustainability bond.

Raising Local Currency in the Global Markets

IDB Invest issued a 5-year, COP$82 billion (approximately $20 million) sustainability bond in the international market, due January 2029. Record Emerging Market Sustainable Finance Fund (Record) is the sole investor of the bond, led by HSBC.

This marks *IDB Invest's* inaugural sustainability bond denominated in Colombian pesos and its first issuance dedicated to funding local currency projects. The bond proceeds will finance eligible green and social projects in Colombia, under our Sustainable Debt Framework, promoting economic growth and the improved well-being in the country.

The proceeds will also support access to inclusive finance and provide technical and financial support for projects critical to transportation infrastructure, renewable energy, and telecommunications, as well as innovative and environmentally sustainable corporate projects.

Financing projects in local currency protects borrowers in Colombia from foreign exchange fluctuations, making debt repayments less volatile and more sustainable. Recent examples of *IDB Invest's* local currency lending in Colombia include COP loans to finance green mobility and solar power projects.

"At *IDB Invest* we are committed to promoting local currency bond markets in Colombia. This type of investment is a powerful tool that allows issuers to finance projects with longer terms and in their local currency.

This reduces the borrowing cost for businesses, supports investment and creates jobs. It also reduces the risk of dependence on foreign currencies for local borrowers. These solutions are an integral tool that contributes to achieving *IDB Invest*'s mission."

Janne Sevanto, Treasurer of *IDB Invest.*

02 SCALING IMPACT

The world has dramatically changed over the last few years. The challenges in Latin America and the Caribbean are vastly different from those back in 2016, when the organization began its operations. The region is experiencing multiple challenges affecting its social, economic, and environmental development, marked by tighter fiscal scenarios, higher inflation, and a more complex global scenario.

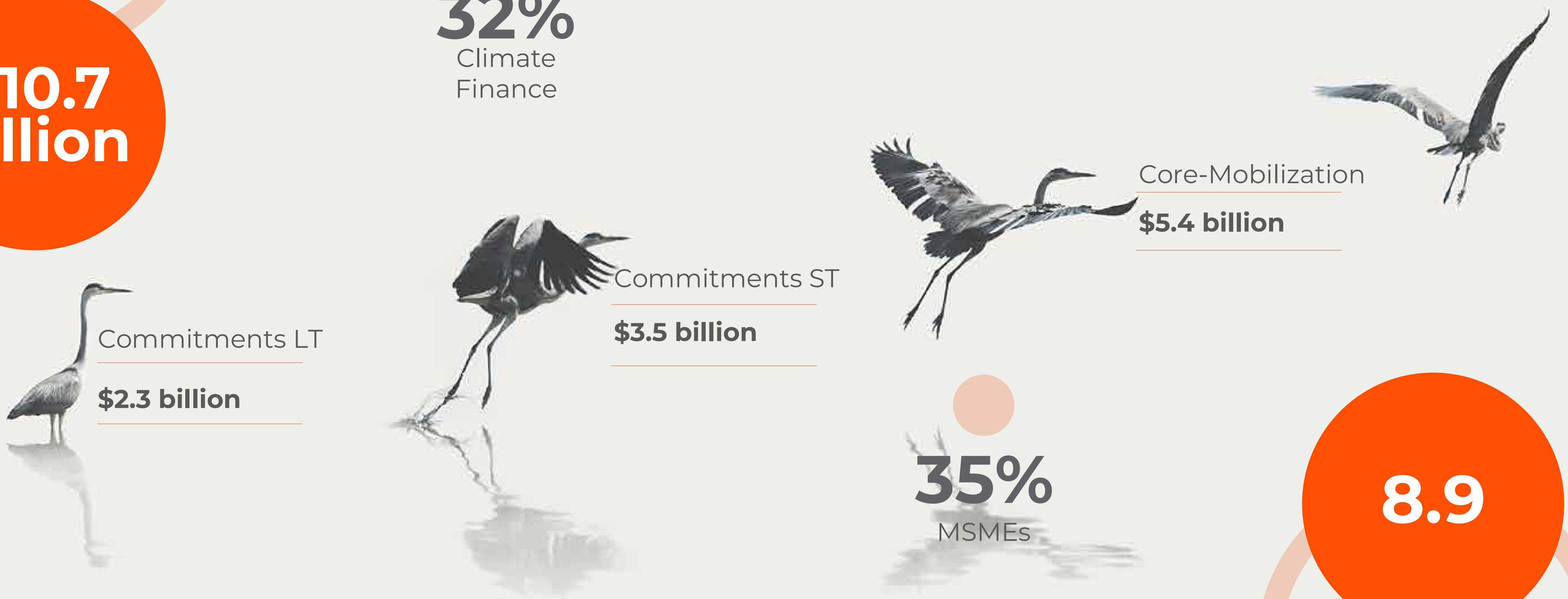
In 2023, during the IDB Group Annual Meeting in Panamá, the Board of Governors expressed their support for a new vision, with improving impact at the center of its activity. This prompted the organization to reflect on its achievements and think about the next step in the evolution of *IDB Invest* to remain relevant in this new era.

This vision is also a way to connect what has been accomplished since 2016 and project it into the future. We call it ***Scaling Impact***. This evolution will allow *IDB Invest* to become a vital partner in addressing regional challenges in its Social Agenda; Gender, Diversity and Inclusion, and Climate Change.

The report reflects on *IDB Invest's* focus to ensure that impact is effectively delivered by working closely with countries and by forging new partnerships with other multilateral development banks like the Multilateral Investment Guarantee Agency (MIGA), the International Finance Corporation (IFC), and the U.S. International Development Finance Corporation (DFC).

Total Activity

$10.7 billion



Commitments LT

$2.3 billion

32%
Climate Finance

Commitments ST

$3.5 billion

Core-Mobilization

$5.4 billion

35%
MSMEs

47%
Gender, Diversity and Inclusion

8.9

Median DELTA*

*The DELTA is a rigorous, fact-based scoring system that assesses the impact potential of each investment, assigning a score from zero to 10, which is tracked and updated throughout implementation. https://www.idbinvest.org/en/impact-management-framework

Climate Change

In 2023, *IDB Invest* surpassed the target of 30% of climate financing, by achieving 32% of its total lending (or the equivalent to $2.17 billion) geared towards climate investments across 65% of its projects. *IDB Invest* focused on enhancing climate-related initiatives through a variety of innovative projects and financial instruments, spanned numerous sectors, and introduced groundbreaking projects like sustainable finance for resiliency in the Caribbean, and deployed equity investment to support the expansion of bicycle-sharing services in Latin America.
A particular emphasis was given to adaptation finance.

$360 million in 2023

As a result, in **2023** we doubled the total amount geared towards adaptation from **$180 million in 2022 to $360 million in 2023.** At **COP28 the IDB Group** announced plans to triple its climate financing to $150 billion over the next decade with support from its shareholders through direct and mobilized funds. The *IDB Group* is walking the talk on financing climate, placing sustainability at the core of its operations, and working with partners to mobilize financing for mitigation and adaptation projects and initiatives.

COP 28

$150 billion in climate financing

Moreover, between 2013 and 2022, the IDB Group increased related financing from $1 billion to $11 billion. The expansion to $150 billion, anchored in the triple funding of capital increase, capital optimization and private capital mobilization, would make **the IDB Group one of the first multilateral development banks (MDBs) in the world to meet the G20's request for MDBs to triple climate financing to reach the Paris Agreement goals.**

IDB Invest remained a market leader in mitigating and adapting to climate change. In its first year of assessing all its new operations, it confirmed that 100% were aligned with the Paris Agreement. *IDB Invest* is committing to increase climate financing targets over the next decade. This will mean shifting from seeing climate finance as a portion of *IDB Invest*'s business, to seeing the mitigation of and adaptation to climate change as a lens it applies to everything it does. The alignment of all new operations to the Paris Agreement* as of the beginning of 2023 is a first step in that direction.

IDB Invest follows a comprehensive approach to assess Paris Alignment, requiring a transaction to be aligned to both mitigation and adaptation goals. We apply the principles set in the "*Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment*" developed together with other MDBs for financing new operations.

Based on these Joint Methodological Principles, the *IDB Group* has developed the *"IDB Group Paris Alignment Implementation Approach"*, that sets the methodology, set of principles, and technical guidance on energy, water and sanitation, transportation, agri-food systems, and operations with financial institutions to carry out the assessment.

Also, *IDB Invest* will focus on creating markets and fostering enabling conditions together with IDB that unlock green investments; designing and implementing investment products and advisory services solutions that catalyze green and inclusive growth along with mobilization opportunities; cultivating a climate corporate culture that permeates investments decisions and portfolio management, including the risk management framework; and driving emerging trends and agendas and addressing adaptation challenges. **A comprehensive approach to climate solutions involves leveraging advisory, blended finance, and financial innovation to stimulate private sector decarbonization, innovation, and resilience.**

By offering market-level and transaction-level advisory services, the focus is on addressing non-financial barriers through capacity building and analytics. The emphasis extends to providing innovative finance that incentivizes climate-oriented initiatives, embedding climate and green considerations in mobilization efforts.

This approach bridges the gap between mitigation and adaptation, advocating for nature-positive investments. Strenghtening the impact in addition to volume, is crucial for effective adaptation. Assessing the physical risk of projects becomes integral for creating a climate-resilient portfolio. *IDB Invest* supports clients in this through advisory services, tools, knowledge, and innovative financial mechanisms, ensuring the development of adapted assets.

Furthermore, *IDB Invest* plays a pivotal role in climate and green thought leadership for the region. Developing partnerships and initiatives fosters sustainability knowledge and sharing tools based on experience to support net-zero, resiliency, and nature-positive pathways. The focus also extends to setting corporate green practices, enhancing capacities, and instilling a climate mindset across the organization, including climate-oriented filters and tools in all corporate processes. Collaboration with *IDB Group* and other MDBs is essential for impactful collective action.

**Paris Agreement to the United Nations Framework Convention on Climate Change, Dec. 12, 2015, T.I.A.S. No. 16-1104.*

Micro, Small and Medium-sized Enterprises

***IDB Invest* made significant progress in 2023,** demonstrating its commitment to supporting micro, small, and medium-sized enterprises (MSMEs), particularly in the Caribbean region.

Our key performance indicators in 2023 exceeded our targets, with

35%

of financing supporting MSMEs surpassing the 30% goal

The institution strategically focused on enhancing job creation, economic development, and promoting gender diversity and inclusion through increased financing for MSMEs.

In Belize, *IDB Invest* strengthened Atlantic Bank Limited's MSME segment by providing a recently closed **$30 million senior loan, supported by advisory services.** This move expanded access to finance for women-owned or led and rural MSMEs.

The MSME portfolio, including those for women, women migrants, and indigenous women in Ecuador, **achieved ambitious goals, and advisory services** were implemented to improve credit decisions, employing alternative credit ratings like psychometric tools.

At the same time, **we integrated MSME portfolio growth objectives with productivity goals, supporting capital investment in the agriculture sector and improving production techniques, resulting in groundbreaking operations.** *IDB Invest* initiated a market study to understand the specific needs of women-owned MSMEs in the Amazon region, enabling tailored product and service design.

The achievement of these projects, like the one with Atlantic Bank, **includes substantial growth and increased financing for the MSME portfolio, contributing to the country's economic development.**

IDB Invest and Oikocredit supported innovative financial instruments, **such as a $20 million diversity and inclusion social bond issued by Cooperativa de Ahorro y Crédito Jardín Azuayo in Ecuador.** Additionally, *IDB Invest* participated in **the structuring and investment in Banco Bolivariano Blue Bond, the world's first Blue Bond issuance by a private financial entity, supporting ocean conservation** and including incentives for MSMEs to participate in supply and value chains.

Blended finance resources from **We-Fi facilitated the structuring of performance-based incentives related to the MSME portfolio for women, women migrants, and indigenous women.** These achievements reflect *IDB Invest*'s commitment to fostering sustainable economic development through targeted support for MSMEs and innovative financial solutions.

Gender, Diversity and Inclusion

As Latin America and the Caribbean continues to grow after rebounding from the COVID-19 pandemic, there is still room to ensure that inclusive growth and opportunities are accessible to all. While the region has a comparably smaller gender gap in entrepreneurship, persistent differences in access to financial and social capital still limit the growth of entrepreneurship, training and employment opportunities for women. Systemic and infrastructure barriers also affect many of the region's most disadvantaged communities.

Closing these gaps is critical. Women represent more than half of the population in Latin America and the Caribbean and lead just under 25% of businesses or companies. Women are a financially underserved in this market. In fact, MSMEs led or owned by men receive, on average, $86 billion more in financing than MSMEs owned or led by women, despite evidence suggesting that women have more stable savings behavior and lower loan default rates.

IDB Invest offers strategic support in areas of Gender, Diversity and Inclusion (GDI) Which help clients to position themselves as industry leaders and close gaps by investing in the communities they serve. During 2023, 29 new GDI advisories were closed to amplify the impact of investment transactions with clients in the Infrastructure and Energy, Corporates and Financial Institutions segments.

For example, **GDI advisories support financial institutions by enhancing their value proposition to female clients** in their portfolio and helping to better market their products and services directly to women.

In a **landmark initiative, *IDB Invest* partnered with the Women Entrepreneurs Finance Initiative (We-Fi) to execute a $1.2 million pilot project in the Dominican Republic**, which will improve data-driven decision-making and create a shift in how women entrepreneurs are accounted for and served by financial institutions.

The WeCode pilot will build capacity and encourage the use of gender-disaggregated data to drive women's financial inclusion in the Dominican Republic. The projection is that by 2028, an additional 2,400 women-owned or led SMEs will have access to financing from We-Fi-supported institutions.

GDI also expands economic empowerment and dignified employment for vulnerable populations. In Chile we are providing guidance on the market potential and needs of the migrant and refugee population to Fondo Esperanza, the country's largest specialized microfinance organization. By 2028, the share of migrants in their total portfolio should grow by 6%, with access to approximately $3.4 million in financing.

In the VIVA project in Peru, we supported a construction company by designing an action plan to improve security for women and girls in a low-income housing project. In a survey among women involved in the project, roughly 74% said they did not feel safe in their neighborhood. Among the improvements made were installing a higher fence and adding more street lighting.

To advance the diversity agenda, **we are piloting a new tool that will help companies in Latin America and the Caribbean assess their strategies and programs by leveraging international best practices and building capacity.** The tool will enable companies to assess their performance in several areas: strategic planning and partnerships, internal practices and social responsibility, and community engagement, with **a particular focus on Afro-descendants, indigenous and traditional peoples, the LGBTQ+ community, and persons with disabilities.**

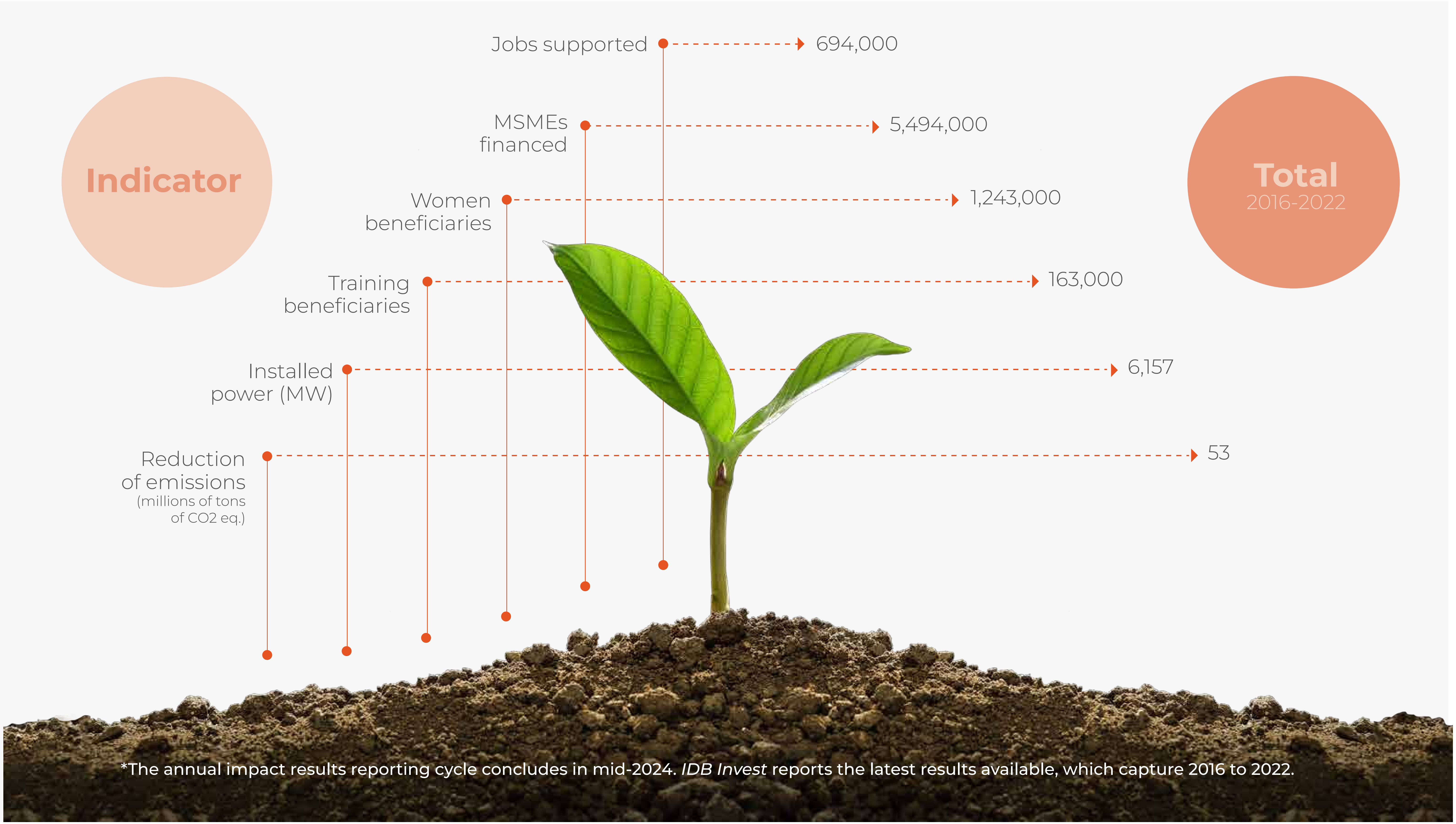
Focus on Impact

Interest in sustainable and impact investing has grown in recent years. There has been a push for greater transparency and integrity in how investors and companies measure and report impact.

At *IDB Invest*, we do this through our comprehensive Impact Management Framework, which features a series of tools and practices to support the full investment lifecycle, from origination and structuring to monitoring, evaluation, learning, and knowledge sharing.

This framework allows us to build, measure, and manage a portfolio of financially sustainable investments that maximize development impact and contribute to reaching the UN Sustainable Development Goals (SDGs) in the region. We report on the results achieved by our operations annually in the *IDB Group's* Development Effectiveness Overview.

*Development Impact Snapshot 2016-2022**



*The annual impact results reporting cycle concludes in mid-2024. *IDB Invest* reports the latest results available, which capture 2016 to 2022.

IDB Invest’s inaugural [Sustainability Report](), aligned with our core purpose and values, represents a significant milestone in our commitment to transparency and impactful results.

Based on the 2016 Global Reporting Initiative standards, the report focuses on issues identified through a thorough assessment, concentrating on areas where we can generate the most substantial impact.

The report demonstrates our commitment to sustainable development with a positive impact on beneficiaries and the environment. It shares examples and results of the value added through *IDB Invest* operations, as well as our ability to establish partnerships with industry leaders and to work with other stakeholders to achieve *IDB Invest*’s sustainable development objectives.

It also increases the transparency of our operations, engagements, commitments, and priorities, in alignment with industry best practices for sustainability disclosure. Finally, it helps us to report on our environmental, social, and economic impact in a comparable way through the Global Reporting Initiative.

Looking ahead, our strategic focus involves enhancing development effectiveness, directing resources to areas of greatest need, and increasing resource mobilization. We are committed to supporting shareholder sustainability priorities, allocating a larger share of commitments to Small and Island countries, MSMEs, Gender, Diversity, and Inclusion, Climate Finance, and boosting development-related assets in C&D countries (small and vulnerable) by 2025.

03 IMPACT STORIES

Making a Splash: First of its Kind Blue Bond

Banco Bolivariano, Ecuador

The Ecuadorian banking sector has long been committed to sustainability, receiving funds from international organizations for sustainability efforts.

In 2016 the Private Banks Association (Asobanca) launched the Sustainable Finance Protocol, a strategic initiative that has promoted commercial banks to manage a joint sustainable finance agenda.

In 2019, nine Ecuadorian banks simultaneously adhered to the Principles for Responsible Banking promoted by the Financial Initiative of the United Nations Environment Program.

At the time, Ecuador was the country with the largest number of banks signed on to this agreement. In 2023, the 14 member banks of Asobanca renewed the association's Sustainable Finance Protocol.

The 2.0 version of this protocol added a new line of social development within the sustainable finance strategies, reinforcing the work that banks carry out to address issues such as the gender gap and financial exclusion.

Ecuador's focus on the blue economy, which entails carefully utilizing and conserving marine resources, is crucial, particularly for the country's thriving fishing sector and shrimp exports.

Banco Bolivariano supports sustainability through a

$80 million

BlueBond

Banco Bolivariano, a commercial bank widely recognized for its commitment to corporate social responsibility, will further demostrated its support to sustainable projects with the issuance of a **$80 million Blue Bond that will finance sustainable projects** involving seafood production, water, wastewater and solid waste management, and circular economy initiatives.

Blue Bond

$40 million
IDB Invest

$40 million
FinDev Canada

> "The expected impact of this Blue Bond includes substantial economic development contributions and measurable environmental benefits for Ecuador.
>
> We are also pleased to have helped attract new investors who support sustainable initiatives and mobilized more capital to finance companies committed to conserving the oceans and to sustainability on a larger scale."
>
> ***Gabriela Mera,*** *IDB Invest* Project Leader.

The Blue Bond consists of $40 million from *IDB Invest* and another $40 million mobilized from FinDev Canada. Both have a 5-year term and a 12-month grace period for principal and interest payments.

The bond is the first of its kind in the world, and includes incentives linked to achieving objectives. It offers a commitment from Banco Bolivariano to meet specific goals related to its blue portfolio's growth and to implement the principles of the Task Force on Nature-related Financial Disclosures (TNFD). Should the issuer not meet its objectives, bondholders will receive a fee.

The Blue Bond seeks to benefit both growing and near-limit production companies, underscoring the economic and social importance of this sector, which **generated over 4% of Ecuador's GDP in 2021.**

As part of the bond issuance process, *IDB Invest* provided Banco Bolivariano an advisory service to define a roadmap to align with the recommendations of the TNFD framework, help its clients get training on the measurement and reporting of environmental risks, and design a methodological framework for the use of funds.

IDB Invest also supported Banco Bolivariano in obtaining an independent verification of the methodological framework issued by Sustainalytics, an external consultant specialized in this type of project.

Partnerships that Matter:
Boosting MSMEs Credit

Atlantic Bank, Belize

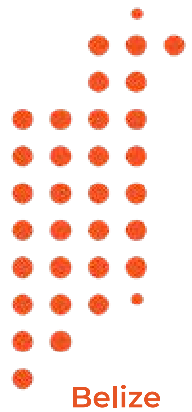
Belize has economic challenges stemming from slow growth and setbacks caused by the COVID-19 pandemic.

Most of Belize's private companies are MSMEs, particularly in the services sector, and a considerable portion are women-owned. However, the pandemic caused substantial losses, with many businesses shutting down temporarily or permanently.

87% microenterprises

12% small business

Women-owned enterprises, which account for 87% of microenterprises and approximately 12% of small businesses in the country, encounter additional barriers to credit, including the lack of guarantees, cultural norms, and smaller business sizes.



Belize

Atlantic Bank, a leading player pioneering new standards and practices with its rapidly evolving digital infrastructure, aims to address these challenges by securing long-term financing to boost its MSME portfolio. *IDB Invest* provided up to $30 million to increase access to financing for MSMEs in Belize.

Additionally, *IDB Invest* provided advisory services to support the development of an Environmental and Social Management System enabling a structured approach to identify and manage the bank's exposure to environmental (including physical climate risks), social, and labor risks of its portfolio.

Atlantic Bank has sufficient geographic reach, size and operating structure to raise the underwriting standards, influence and propose public policy and further develop an MSME and women-owned MSME strategy, becoming an example for other players in the local financial system.

"Atlantic Bank plays a crucial role in Belize's banking sector, particularly in tourism and agriculture, the main drivers of the country's GDP.

In addition, the bank's commitment to fostering financial inclusion, innovation, and digital platform development aligns with *IDB Invest*'s strategic goals."

Armando Simon, Project Leader at *IDB Invest*.

Growth and increasing financing Atlantic Bank's MSME portfolio

from **$58.7 million** 2022

to **$76.3 million** 2026

The project's expected development impact includes supporting the growth and increasing financing of Atlantic Bank's MSME portfolio from $58.7 million in 2022 to $76.3 million in 2026 (in real terms), consequently contributing to Belize's economic development.

The project also provides financing in challenging contexts, focusing on MSMEs, and addressing GDI topics.

Closing the Gap: Gender-Smart Finances

BlueOrchard LAC Gender, Diversity and Inclusion Fund Regional

Women in Latin America and the Caribbean face challenges securing credit and support for their businesses.

The credit gap for women-owned MSMEs is significant, reaching billions of dollars. This limited access to capital contributes to the relatively high failure rate of these businesses.

Adding to those barriers, the COVID-19 pandemic exacerbated gender inequality, leading to increased challenges. A disproportionate number of women lost their jobs, resulting in greater economic vulnerability.

Indigenous peoples, who constitute 8% of the region's population, face vulnerability, with nearly one in five living in extreme poverty.

The pandemic's economic toll was particularly severe in indigenous communities, where there are far fewer stable employment opportunities for low-skilled individuals. Given financial institutions' limited reach in remote areas, often the only choice is to resort to informal lenders who charge exorbitant interest rates.

In turn, Afro-descendants, who constitute one-fourth of LAC's population, are overrepresented among the low-income segment. Brazil has the largest Afro-descendant population in the region, and sees this group as being twice as likely to experience poverty compared to others. **Afro-descendants share a history of displacement and exclusion, and their social and economic advancement is crucial for the overall reduction of extreme poverty.**

> **"The fund expects to contribute to gender equality, support MSMEs, and promote the financial inclusion of underserved populations in Latin America and the Caribbean.**
>
> **It is a step toward creating innovative instruments that channel private resources to address credit market gaps for underserved segments, with potential replication by other entities in the future."**
>
> ***Alberto Parodi,*** Project Leader at *IDB Invest*.

Financial institutions can and must play a critical role in providing financing to underserved groups. While some have evolved into regulated banks, many remain nonregulated and depend on institutional lines of finance from banks, development finance institutions, and specialized fund managers.

BlueOrchard, a leading impact investment fund manager, has launched a LAC Gender, Diversity and Inclusion Fund aiming at mobilizing resources from MDBs (including up to $40 million from *IDB Invest*) as well as from institutional and retail investors to support the first private debt fund in the region with a GDI focus.

The fund is committed to increasing the availability of financing for women and other underserved groups such as indigenous peoples and Afro-descendants. Its impact strategy focuses on gender-smart and inclusive products, GDI practices at the investee level, and collecting, analyzing and acting on relevant data.

To that end, the fund will provide financing to financial institutions across Latin American and the Caribbean, such as microfinance institutions, banks, fintechs, leasing institutions and cooperatives, among others, that will supply credit to the targeted underserved groups.

Moreover, the fund will have a Technical Assistance Facility aimed at helping financial institutions to understand the potential demand for financing from underserved groups, their specific needs, and the best practices to approach and provide them financing.

Scaling Affordable Healthcare

dr.consulta, Brazil

The right to healthcare is more than just a legal provision in Brazil; it's a lifeline woven into the nation's fabric.

Enshrined in the federal constitution, the Sistema Único de Saúde (SUS) is a testament to the Brazilian commitment to ensuring every citizen's access to healthcare.

Notwithstanding this constitutional guarantee, the healthcare system faces challenges, with public expenditure falling below global averages. A private health plan ranks third in the hierarchy of most desired goods and services among Brazilians, trailing only housing and education.

In 2021, Brazil's healthcare spending reached staggering heights, totaling R$822 billion—roughly 10% of GDP.

The public system shoulders a significant portion of this expenditure, leading to strains and limitations. Long wait times and dissatisfaction with services have prompted a substantial portion of the population, particularly the affluent, to turn to private healthcare.

In such a complex landscape, dr.consulta emerges as a beacon of change. Positioned as a healthtech champion, the São Paulo-based company focuses on providing affordable and quality healthcare to population underserved by both traditional private healthcare and the public system.

As an innovative provider, dr.consulta recognizes Brazilians' demand for private services and endeavors to bridge the accessibility gap. At the time this report was written, the company operated 28 clinics and was serving more than 800,000 patients a year through its different care channels.

28 clinics

800,000 patients

"*IDB Invest*'s participation in dr.consulta is not merely a financial infusion.

It represents a commitment to addressing business model challenges, scaling operations and, even more crucially, driving development impact in a sector so vital and important to the Brazilian people."

Silvana Blanco, Project Leader at *IDB Invest.*

The company's vision extends beyond mere treatment: its holistic approach features a primary care platform offering preventive services at affordable prices.

dr.consulta's mission is not just about addressing the current landscape but redefining it. Creating a new mobile application that aimed at personalized healthcare journeys for each client.

IDB Invest completed a **$10 million equity investment in dr.consulta** as part of a Series D equity round led by Kamaroopin, a private equity fund under Patria Investments Ltd., the largest regional investment company in Latin America.

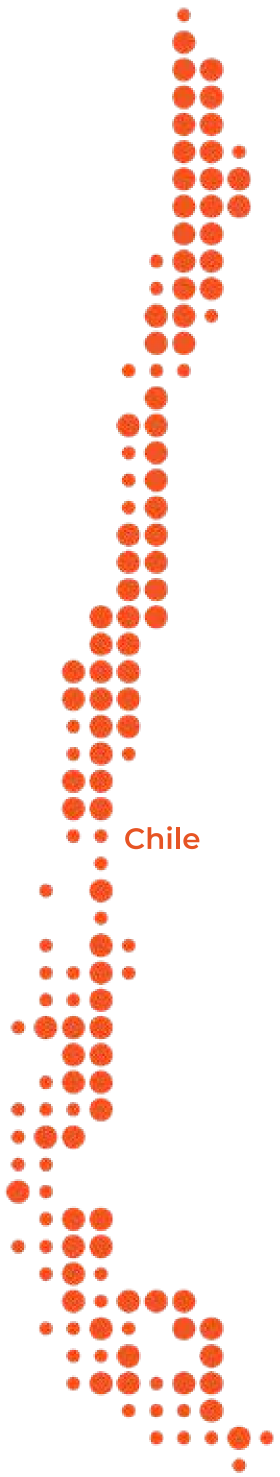
IDB Invest mobilized a similar equity co-investment amount from the Japan International Cooperation Agency (JICA), under the Co-investment and Loan Framework agreement between the IDB Group and JICA. JICA's co-investment in dr.consulta was its first direct equity investment in Latin America.

Tapping International Investors for Stable Energy Prices

Stabilization of Tariffs, Chile

Almost two decades ago, Chile implemented an electricity supply auctions to encourage the growth of its power generation capacity and promote investment in renewable energy sources such as wind and solar. **However, by 2017 electricity prices had dropped significantly due to increased competition and reduced installation costs of non-conventional renewable energy projects.** Although this could potentially benefit consumers, legacy power purchase agreements (PPAs) prevented immediate cost reductions.

Between 2019 and 2022, Chile enacted laws to stabilize electricity prices and avoid increases to end-consumers. *IDB Invest* developed a financial structure to address the liquidity challenges in the electricity market. **By the end of 2023, this solution had financed $1.3 billion ($1.1 billion mobilized, $180 million own account)** to stabilize electricity prices for households and small businesses while ensuring financial sustainability for generators.



This new law created a fund that issued certificates of payment (CoPs) to power generators as compensation for tariff differences. The CoPs, with interest-bearing securities, would be repaid between 2028 and 2032.

IDB Invest mobilized and financed

$1.3 billion

to stabilize prices and ensure generators' sustainability

IDB Invest proposed a transaction to finance this mechanism, acting as lead structuring bank to purchase CoPs and syndicate financing. The CoPs, irrevocable and independent obligations of the rate stabilization fund, would accrue interest until 2028.

> **"This project's expected outcomes included stabilizing power rates, benefiting vulnerable households, and injecting resources to mitigate liquidity shocks.**
>
> ***IDB Invest*'s involvement provided financial support and shaped a sustainable regulatory framework for Chile's electricity sector."**
>
> ***Mario Camargo,*** Project Leader at *IDB Invest*.

The innovative B-Bond structure allowed *IDB Invest* to mobilize resources from international capital markets. **The project aimed to stabilize electricity prices for families and small businesses, ensure financial sustainability for electricity companies and normalize tariffs for other end-users by 2027.**

Aligned with Chile's energy objectives and the UN Sustainable Development Goals, this project aims to reduce electricity costs and provide affordable, clean energy. *IDB Invest's* involvement offered financial additionality by reducing the effects of PPA payment delays on power companies. It also provided non-financial additionality by designing a bankable regulatory framework.

Lessons learned from previous transactions informed improvements, showcasing the ongoing collaboration between *IDB Invest*, the Chilean government, and other stakeholders in strengthening the country's energy sector.

Bridging the Digital Divide

Liberty Costa Rica

A decade ago, Costa Rica charged into the digital age, boasting one of Latin America and the Caribbean's highest fixed and mobile broadband penetration rates. However, service quality needed to catch up to the nation's developmental strides. Most connections clung to outdated 2G or 3G technologies, in stark contrast with the vibrant potential of the future.

Liberty Costa Rica is a company seeking resources to **enhance its network and weave expansive coverage across the country, including often-overlooked rural areas.** The impending launch of 5G services in 2022 accelerated the transition.

"This operation was not just about financing, but also about channeling resources that would shape Costa Rica's future and help expand coverage to narrow the digital divide.

IDB Invest's involvement in this deal demanded more than financial commitments. This is not just about faster internet; the project aims at propelling a nation towards the future"

Edgar Cabañas, Project Leader at *IDB Invest*.

IDB Invest and Liberty Costa Rica issued a Sustainability-Linked Bond (SLB) as part **of a $450 million financing package to increase digital access and broadband quality in Costa Rica.**

The B-Bond structure comprised a senior loan of up to $50 million and another of $400 million, allowed us to mobilize more than 50 investors that would not otherwise participate in the deal under the traditional A/B loan structures.

As part of the deal, *IDB Invest* also provided advisory services to Liberty to help reduce more than 30% of the company's carbon emissions.

Investing in LAC's Newest Hub

Lima Airport Expansion, Peru

Lima's Jorge Chávez International Airport serves as Peru's main hub for air passenger and cargo traffic, operating under a public-private partnership concession granted in 2001.

But by 2019, the airport had exceeded its designed capacity.

Consequently, its operator, Lima Airport Partners (LAP), embarked on a major expansion plan that included the construction of a second runway, a new control tower and a new passenger terminal for $2.5 billion.

At completion, the project will increase the airport's handling capacity from 17 million to 38 million passengers per year.

IDB Invest anchored a $1.25 billion project finance facility, committing $250 million for its own account and crowded-in six commercial lenders gain sufficient comfort to complete the financing.

Lima Airport Partners embarked on a major expansion

$2.5 billion
Project total

The construction of a second runway, a new control tower and a new passenger terminal.

Handling capacity from 17 million to 38 million passengers per year.

IDB Invest:
$250 million

Six commercial lenders:
$1.25 billion

> "Closing this financing in such a difficult global context, especially for the aviation industry, was a major challenge and represents a landmark transaction for Lima Airport Partners.
>
> It highlights *IDB Invest*'s confidence in the company and its shareholders to develop this important project and to operate a first class infrastructure that will generate many jobs and other development opportunities in Peru."
>
> ***Pilar Vizcarra,*** LAP's CFO.

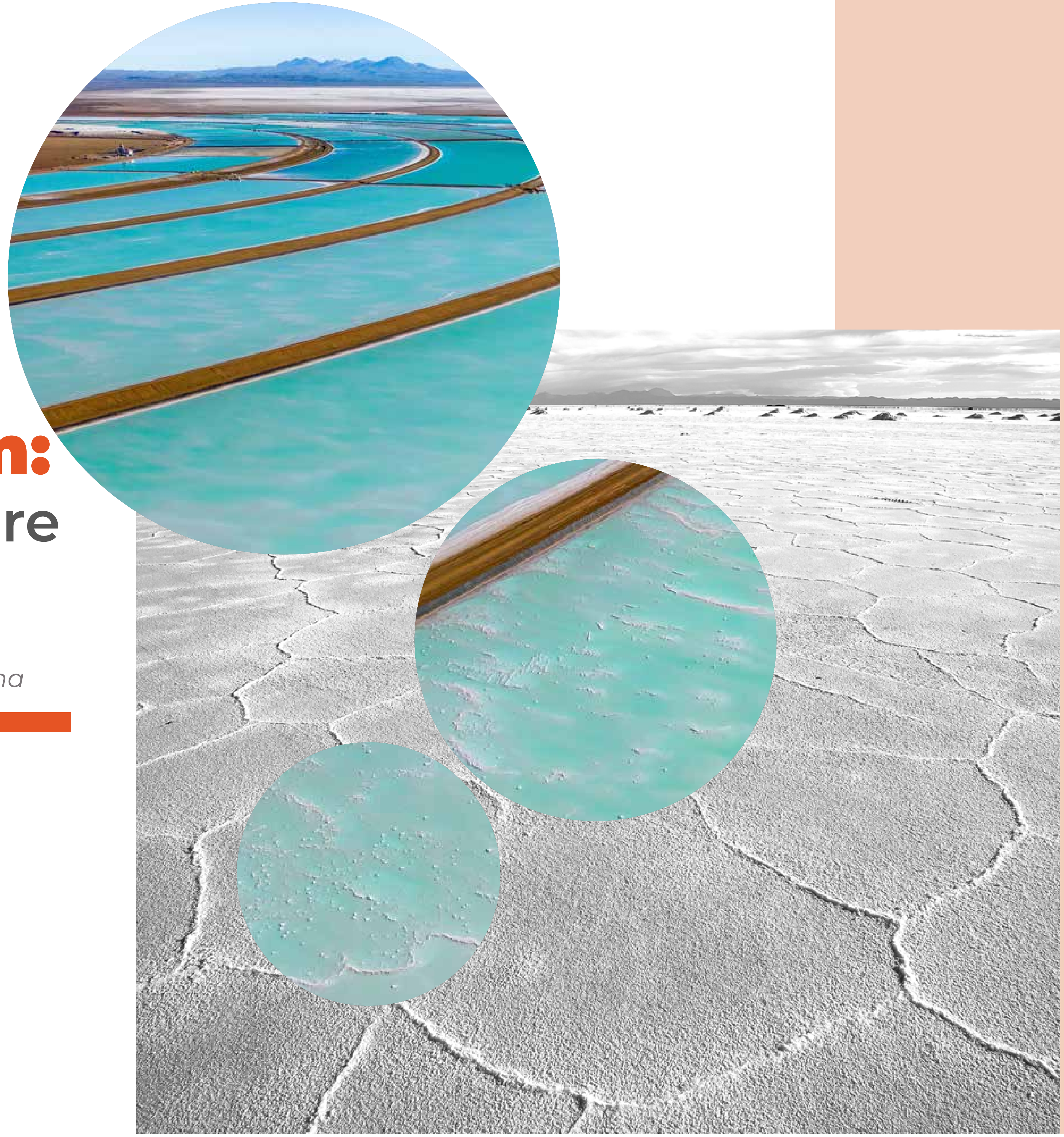
The project will support competitive advantages of the airport, which benefits from year-round fair-weather conditions, a sea-level location that allows the largest aircrafts to operate more efficiently, and a geographic position near the heart of South America.

Thanks to these advantages and its proximity to the seaport of Callao, Jorge Chavez fulfills the conditions to evolve into a regional hub for air passengers, cargo, and logistics. In addition, the project will strengthen Peru's regional airport network, funded via a profit sharing mechanism included in the Lima airport concession.

This transaction stands out as Latin America's most significant infrastructure financing of 2023 and Peru's most emblematic infrastructure project of the past decade, as recognized by specialized media outlets such as Latin Finance, Bond, Loans and ESG Capital Markets.

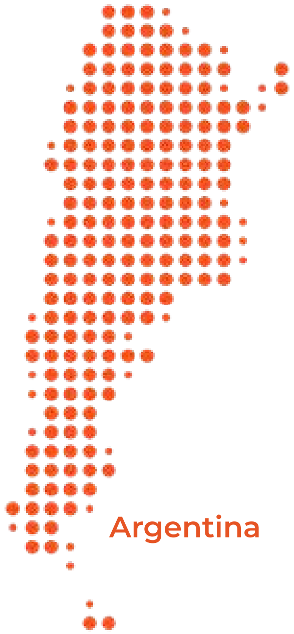
Lithium: The Future of Green Energy

Sal de Vida, Argentina



Argentina, Bolivia, and Chile comprise the so-called “lithium triangle,” a region with almost two-thirds of the world’s lithium reserves, particularly in the salt pans with rich brine deposits.

Lithium has emerged as a pivotal player in the transition towards electric vehicles, mobile devices, and grid-scale energy storage. With a global compound annual growth rate in demand at 20.9%, the lithium triangle will be instrumental in supporting efforts to reduce greenhouse gas emissions and echo the world’s accelerating embrace of lithium-ion rechargeable batteries, a key to the global shift toward a low-carbon economy.



In this landscape, the Sal de Vida project will develop a 15,000 metric ton lithium carbonate greenfield project in the Salar del Hombre Muerto, an extensive salt pan in the province of Catamarca, an area yearning for economic revitalization. *IDB Invest* approved financial support and ensured the project will adhere to the highest environmental and social standards.

“The impact of Sal de Vida will resonate across Argentina.

It’s a story of value creation, employment, renewable energy and, exports where progress and sustainability go hand in hand”.

Juan Parodi, Project Leader at *IDB Invest*.

Sal de Vida aims to be one of Catamarca’s largest private investments, employing state-of-the-art technology and infrastructure, exporting its production, and generating renewable energy.

The project’s annual exports will total around 1.5 times the province’s present exports, raising its GDP by almost 12%. Expected fiscal revenues should be over $50 million annually during the project’s life. This transaction represents the first mining and lithium project for *IDB Invest*.

Sal de Vida intends to cover half of its energy needs from renewable sources by 2030. This commitment, in addition to gender and diversity milestones, echoes the ethos of a “super green loan.”

Pedaling to the Future:

Bike-Sharing

Tembici, Amazonia Region

Tembici, a micro-mobility company, specializing in environmentally sustainable transportation solutions, primarily centered around bicycles and e-bikes.

The company operates in several Latin American countries, including **Argentina, Chile, Colombia and Brazil**, where it has a manufacturing plant. Its focus is addressing urban transportation challenges such as traffic congestion and air pollution.

Tembici recognizes the growing importance of environmentally friendly mobility options. The company aims to reduce GHG emissions by promoting active transportation modes in major Latin American cities, specifically bicycle sharing.

LAC has long faced urban mobility challenges, such as significant growth in motorization rates, poor public transportation quality, and substantial economic costs associated with traffic congestion. Tembici positions itself as a solution to these challenges by offering bike-sharing systems that address congestion problems and align with the environmental goals countries have set for themselves.

The company participated in a Series E extension round, with an *IDB Invest's* investment of up to $8 million including blended finance resources. The funds will enhance Tembici's fleet of bikes and e-bikes, expand operations within its current footprint, and strengthen its financial position to support further expansion through debt securities.

"Investors are interested in Tembici for its financial potential and its positive environmental and social impact.

The company aligns with the sustainability goals outlined by governments in the region, contributing to the development of alternative urban transport modes, promoting a transition to sustainable transportation, and fostering innovation in urban mobility".

Gonzalo Arauz, Project Leader at *IDB Invest.*

With *IDB Invest's* support, **Tembici expects to grow active users** by increasing the number of bike trips in cities as an alternative to cars.

Additionally, the company is also domestically producing its own electric bicycles (e-bikes) in its assembly plant located in the Amazonian state of Manaus, Brazil. It aims to produce more than 50,000 new bicycles from 2023 to 2029, supporting local employment and driving sustainable economic development of the Amazon region, aligning nicely with IDB Group's Amazonía Forever initiative. Tembici's strategic advantages include securing key concessions from municipal governments, establishing long-term contracts with sponsors and advertisers, and forming exclusive partnerships with major companies such as Uber, Gympass and iFood.

Tembici's value proposition revolves around its commitment to providing eco-friendly transportation solutions, addressing urban challenges, and contributing to reducing GHG emissions.

Boosting Sustainable Tourism in the Caribbean

Tropicalia, Dominican Republic

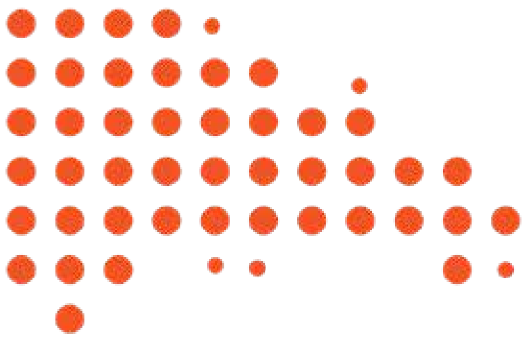
IDB Invest has partnered with Cisneros Real Estate for the construction and operation of Tropicalia, **a mixed-use sustainable tourism project consisting of a 95-room Four Seasons Hotel and 25 branded residences in Miches, Dominican Republic.** The financing package consists of $49 million from *IDB Invest* and $86 million mobilized from local and regional banks, as well as and international financial institutions.

Financing Package

$49 million *IDB Invest*	**$86 million** local banks
2,000 jobs during construction	**400** jobs during operations

Tropicalia is anticipated to generate significant development impact by creating more than 2,000 jobs during construction, 400 jobs during operations and an inclusive supply chain that will connect dozens of local entrepreneurs and farmers.

Up to 70% of produce and services will be sourced domestically, with more than a third coming from local MSMEs, contributing to a circular economy and the area's prosperity.



Dominican Republic

With a focus on socioeconomic inclusion and sustainable development practices, **Tropicalia implements environmental and social management systems that guide the resort's design, construction, and operation, from biodiversity to waste and water management, air quality and greenhouse gas emissions.**

One of their flagship programs "Soy niña, Soy importante," strives to empower at-risk girls and young women by providing them tools to stave off early pregnancy, gender-based violence and low self-esteem, fomenting gender equality and inclusion from an early age.

"This project demonstrates *IDB Invest*'s support for transformative and sustainable greenfield tourism projects that have a catalyzing effect for emerging destination development in the Caribbean and Latin America.

It reflects a unique value proposition for the expansion of responsible, low-density tourism in the Dominican Republic and will serve as a model for sustainable development in the Caribbean and beyond."

Stefan Wright, Project Leader at *IDB Invest*.

As part of its development impact mandate, *IDB Invest* is providing technical assistance to this program to increase women's participation in economic activities and expand their access and entry into the labor market.

Tropicalia builds upon the legacy of Cisneros' long-term commitment to development and for supporting the socioeconomic sustainability of the community of Miches.

The project's non-profit organization, Fundación Tropicalia, has been implementing an array of educational, socioeconomic and community programs for more than a decade, including innovative projects in agriculture, gender equality, education, environmental protection, entrepreneurship, and microfinance.

04

IDB Invest BY THE NUMBERS

Resource Mobilization

During 2023, core mobilization reached $5.4 billion (including short-term for $1.4 billion), the largest in IDB Group history. This reflects the progress achieved in the mobilization product development agenda, which enables the expansion of the investor pool, exceptionally large transactions, and the transition to a new mindset of maximizing the mobilization component from the initial design of the transaction.

These results were achieved despite a more complex investment environment as well as higher inflation and interest rates, which resulted in net outflows from emerging markets holdings among institutional investors.

Some notable transactions include:

- **Liberty (Costa Rica)** – *IDB Invest* mobilized $400 million through a Sustainability-Linked B-Bond with a mobilization to own account ratio of 8:1. The operation marked the debut of a B Bond issued under Rule 144A Reg/S by a multilateral development bank, which was instrumental in attracting qualified institutional investors in the international debt capital markets.

- **AES Warehouse Facility (Dominican Republic)** – *IDB Invest* mobilized $331 million (with 20 B-lenders), considerably reducing the own account ticket to $36.8 million and reaching a mobilization to own account ratio of 10:1.

- The product development agenda also progressed through the consolidation of the Unfunded Credit Protection product, the introduction of Unfunded Risk Facilities to leverage *IDB Invest* local currency capabilities to enable other institutions to provide credit enhancers to selected exposure, and the introduction of B Bonds under the 144A/RegS format.

Thematic Bonds

Tapping capital markets is critical for increasing the financing for sustainable projects, mobilizing investors and catalyzing development. In the form of green, social or sustainability, thematic bonds are an efficient way to steer more funds toward investments with environmental or social benefits, while sustainability-linked bonds include pricing incentives based on bond issuers committing to performance goals.

IDB Invest **played an essential role in developing this asset class, supporting the issuance of 38 bonds in 11 countries, many of them pioneering transactions for LAC.** During 2023, *IDB Invest* supported and led the issuance of seven thematic bonds: three social bonds, two sustainable bonds, one sustainability linked bond and one green bond.

- **In Peru,** *IDB Invest* structured and subscribed the totality of the first social housing bond issuance by the private company Los Portales for an equivalent of $35 million in Peruvian soles for urban rehabilitation and social housing projects with a focus on vulnerable and underserved populations, which will benefit more than 6,800 families each year.

IDB Invest also assisted Los Portales in designing the framework governing the use of social bond proceeds, covering the criteria for the selection, follow-up and evaluation of projects under the Principles of Social Bonds of the International Capital Markets Association (ICMA).

- **In Colombia,** *IDB Invest* supported the issuance of a $230 million sustainable bond issued in the international markets by Banco de Bogota. The proceeds will foster lending to MSMEs led or owned by women, financing towards low-income and priority housing and green buildings, circular economy, or sustainable agriculture and other green projects.

- *IDB Invest* also supported various market initiatives, including the launch of the Latin America and the Caribbean Sustainable Debt State of the Market 2022 in partnership with the Climate Bonds initiative and the public sector arm of the *IDB Group*, focusing on the thematic bond market in the region, and an overview of key policy developments, trends, guidance, and growth opportunities for sustainable finance in the region.

- Finally, *IDB Invest* received the Financial Institution Bond House of the Year 2023 by Bonds and Loans Award for its innovative efforts in connecting development assets with capital markets and for its contribution to the development of ground-breaking solutions.

Blended Finance

IDB Invest has a long-standing expertise in channeling partners' concessional resources to the private sector in Latin America and the Caribbean, deploying blended finance for high-impact projects in which actual or perceived risks are too high for commercial finance alone, or providing incentives for partners to increase their development impact.

During 2023 *IDB Invest* steered $59 million of partner resources to 12 blended finance investments, mobilizing $10 for every dollar of concessional financing.

- For example, Tembici, a **bicycle-sharing platform**, received a $3 million equity investment from the Finland-LAC Blended Finance Climate Fund, adding to the $5 million provided by *IDB Invest*.

- *IDB Invest* also supported **Águas do Rio's strengthening of water and sanitation services** in Rio de Janeiro.

- The project structuring included performance-based incentives with funds from the United Kingdom Sustainable Infrastructure Program to support **greenhouse gas mitigation** outcomes through various investments and operational milestones.

Local Currency

Through the issuance of local currency bonds, *IDB Invest* supported the growth of the development capital markets in Latin America and the Caribbean. As of year-end 2023, *IDB Invest*'s borrowings portfolio includes debt denominated in eight currencies*.

Record Emerging Market Sustainable Finance Fund is the sole investor of a 5-year sustainability bond for COP$82 billion (approximately $20 million) in the international market, due January 2029, issued by *IDB Invest* and led by HSBC.

- *IDB Invest* acted as an anchor investor for a social bond issuance in local currency for the Pamplona-Cucuta toll road in Colombia, facilitating the mobilization of institutional investors and positively impacting the users of the toll road.
- Local currency lending in Colombia also included COP loans to finance green mobility and solar power projects. In Santiago, Chile, we supported the acquisition of more than 1,000 electric buses through innovative local currency financing to support the decarbonization of the public transportation system.
- Local currency activities included a 3-year MNX$ 3,500 billion (approx. $192 million) domestic bond issued in Mexico, and a bank loan in Trinidad Tobago dollars. We also used derivatives to fund local currency projects in Colombia and Brazil.

*USD, EUR, AUD, BRL, COP, MXN, PYG and TTD

Risk Management Financial and Non-financial

At *IDB Invest* we manage financial and non-financial risks related to financings with more than 500 clients in different countries, sectors, products, and currencies. The Development Related Assets (DRA portfolio) consists of loans, guarantees, bonds and equity booked at *IDB Invest* and IDB Non-Sovereign Guaranteed, as well as third-party loans and funds under management, surpassing $20 billion.

In 2023, the DRA portfolio grew not only in size but also in complexity. As the period for cross-booking new operations at IDB ended in 2022, *IDB Invest* opened new local treasury operations (now operating in Mexican Pesos, Brazilian Reais and Colombia Pesos), expanded the offer of local currencies, improved its infrastructure to execute foreign-exchange spot transactions and flexed its balance sheet to accommodate larger transactions.

The year was also marked by higher mobilization, insurance, and other risk transfer tools, which are effectively bringing the risk management role into the capital management forefront, in addition to the traditional credit risk and portfolio management functions.

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 2023 with the new Audit and Risk Oversight Committee (ARC) of the Board of Executive Directors to include financial and non-financial risk oversight at the Board committee level. As part of *IDB Invest*'s risk framework, a Risk Taxonomy was deployed across the institution.

G20 Capital Adequacy Framework

IDB Invest, together with other MDBs, is working to implement the G20 Capital Adequacy Framework (G20 CAF) reform agenda. Notably, *IDB Invest* has already implemented multiple G20 CAF recommendations to optimize its capital efficiency, significantly increasing its operational capacity to help overcome the limitations of its balance sheet size. *IDB Invest* has achieved capital savings by enhancing risk governance, calibrating risk metrics, introducing new financial products, forming strategic agreements and engaging with credit agencies.

IDB Invest views the G20 CAF recommendations as complementary to the design and implementation of the new business model, as they help underscore the limitations of balance sheet optimization methods that remain to be pursued under the current Board of Governors and Board of Executive Directors approved operating model and risk appetite.

IDB Invest was also the recipient of a grant from the MDB Challenge Fund to structure its first securitization comprising development-related assets originated by the institution. **The transaction, expected to be completed in 2024, will allow *IDB Invest* to increase its lending in the region and support the economic development of its member countries through Paris Agreement-aligned private sector investments.**

The MDB Challenge Fund, created as a response to G20 CAF, supported projects that will generate MDB innovation, accelerating the design and implementation of new ideas, as well as financing research to promote a better understanding of the unique features of these institutions and ways in which their resources can be maximized.

Audit and Risk Oversight Committee

The purpose of the Audit and Risk Oversight Committee is to assist the Board of Executive Directors in its oversight of the Corporation's accounting and financial reporting processes, and internal controls over financial reporting; the management of financial and non-financial risks in relation to the risk policies established by the Board; the qualifications, independence, reports and written communications of the Corporation's External Auditor, and the performance, work program, and reports of the Corporation's internal audit function, which is carried out by the IDB Office of the Executive Auditor (AUG).

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 2023 as the Audit and Risk Oversight Committee (ARC) of the Board of Executive Directors became fully operational, including new risk reports and an ongoing training program on technical areas for ARC members. **This effort also ensured coordination and proper channels of communication with the Board to discuss portfolio risks, both financial and non-financial, with Management.**

LIBOR Transition

In July 2017, the Financial Conduct Authority, regulator of the London Inter-Bank Offered Rate, announced that it would no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021. In March 2021, the discontinuation for the most liquid U.S. dollar LIBOR tenors was postponed to June 30, 2023. Therefore, market participants, including *IDB Invest* and its borrowers, would need to move to alternative reference rates after that date.

***IDB Invest* Management established a LIBOR Transition Program to ensure a timely and orderly switch to Secured Overnight Financing Rate (SOFR). *IDB Invest* issued its first SOFR borrowing in March 2022 and successfully completed the transition efforts for its existing LIBOR portfolios during 2023.**

Risk Taxonomy

IDB Invest's Risk Taxonomy, approved in January 2023, outlines the risk categories managed by the institution and provides an overview of how each risk is managed. **It describes the conceptual approach for every case, who is accountable for managing the risks, what tools are employed (governance instruments, software), and which bodies offer oversight at different levels. It also provides a common language for risk management discussions that will begin to permeate other IDBI documents.** The document was prepared by benchmarking classifications established by other leading MDBs, adopting the Basel Committee classifications that relate to operational risks.

Limit Management

Management implemented the first version of the Limit Management tool, which consolidates credit risk limits, systematizes calculations, and supports compliance management and limit assessment. This work generates efficiencies for our teams and contributes to a shared risk culture across the organization.

Strategic Asset Allocation

Management approved the first version of the Strategic Asset Allocation guidelines, which lay out **the foundation for organized institutional discussion of the objectives of the liquidity portfolio and its associated size, performance, and risk allocation based on its expected goals and risk appetite.**

Non-financial Risk

Recognizing the increasing influence that climate, environmental, social and corporate governance issues represent to the sustainability of a company, *IDB Invest* is developing processes to establish the correlation between those risks and credit ratings. *IDB Invest* is also incorporating further ESG/climate-specific risks into our credit risk assessment.

IDB Invest is developing an integrated perspective to include environmental (including climate), social, governance, legal, operational, reputation and integrity, all of which can result financial risks and credit deterioration of IDB Invest, as well as negatively affect different stakeholders.

In 2023 *IDB Invest* strengthened the Management Grievance Mechanism (MGM), a channel for individuals or groups to submit complaints related to environmental, social or corporate governance issues of projects financed or being considered for financing by *IDB Invest*. The MGM represents an opportunity to flag unresolved ESG issues in projects, and provide lessons learned that are applicable to new transactions.

The Independent Consultation and Investigation Mechanism (ICIM) is a last resource mechanism, independent from *IDB Invest* Management, that receives and manages complaints from communities and groups that consider that they were negatively affected by *IDB Invest* financed projects. The ICIM offers a consultation phase and a compliance review phase.

IDB Invest continued to improve its internal controls and operational risk management, reviewing key processes and systems, and providing added value to mitigate risks across *IDB Invest*.

There have been significant advances in implementing the Data Privacy roadmap, with the development of regulations, guidelines, and procedures, as well as the development of technological solutions, followed by general personnel training.

In partnership with the IDB, *IDB Invest* assessed risks and opportunities arising from new generative artificial intelligence (AI) capabilities. As a result, best practices and golden rules for the use of generative AI tools were adopted by the IDB Group.

05 KNOWLEDGE GENERATION

***IDB Invest's* generates knowledge and provides advisory services to help clients address the challenges of GDI, MSMEs, digital transformation and climate change.**

In 2023, *IDB Invest* as a practitioner produced 58 publications and 35 internal knowledge products, including presentations, briefs, infographics, and videos to support the organization in digesting information and understanding *IDB Invest* commitments.

We supported clients in designing and rolling out their battery recycling program as part of their commitment to electromobility in Chile.

Among the notable knowledge products and tools developed was a position paper on the launching of AGRIADAPT, a tool based on cutting-edge agricultural and climate data that provides customized climate vulnerability analysis and adaptation recommendations.

The publication of the first *IDB Invest* Sustainability Report marked an important milestone in our organization's development. It showcased how central sustainability is to our purpose, values, and work, and demonstrated the positive impact we are having across our region.

Other relevant publications were:

- **Digital Transformation of Manufacturing in Latin America and the Caribbean**
- **Business Trends in Marine Conservation: Unlocking a Sustainable Blue Economy in Latin America and the Caribbean**
- **Digital Transformation for Financial Inclusion in Latin America and the Caribbean**

Some highlighted internal knowledge products were **"Paris Alignment 101"** to answer key questions related to the commitment and what it means for *IDB Invest*, and the Strategic Roadmaps presentations to inform the institution about relevant topics to create impact, foster innovation, and promote sustainability.

ABOUT
IDB Invest

Our Mandate

IDB Invest aims to promote the economic development of its member countries by encouraging the establishment, expansion, and modernization of private sector projects in Latin America and the Caribbean that do not benefit from a sovereign guarantee and aim to bolster competitiveness, inclusive economic growth and sustainable practices.

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 Kingdom, the United States of America, Uruguay, and the Bolivarian Republic of Venezuela.

Board of Governors

IDB Invest's powers 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.
- The amendment of the Agreement Establishing the Inter-American Investment Corporation.

Executive Directors

The Board of Executive Directors oversees the operations of *IDB Invest*. It exercises all the powers granted 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 and 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 Chairperson 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, establishes its operational structure and appoints its senior management and staff.

Senior Management

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

During 2023, there were two changes in the senior management team: Gabriel Todt de Azevedo, Managing Director of the Environment, Social and Corporate Governance Division, was appointed Chief Strategy Officer (a.i.), replacing Alexandre Meira da Rosa, who was appointed Manager of the IDB's Office of Strategic Planning and Development Effectiveness. Aitor Ezcurra Unda, Managing Director of the Corporates Division, was appointed Chief Investment Officer (a.i.), replacing Gema Sacristán, who left the organization.

Staff

To fulfill its development mission, as of December 31, 2023, *IDB Invest* has **455 employees distributed in five departments. 37% of employees work from 24 of the IDB Group's 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 at *IDB Invest* headquarters in Washington, D.C.

Grade	Representative Job Titles	Salary Range Minimum	Salary Range Maximum	Staff at Grade Level (%)	Average Salary	Average Benefits Budgeted [a]
EA	Chief Executive Officer IDB Invest	316,500	448,000	0,3%	448,000	179,200
EB	Chief Officers / General Counsel	221,900	420,000	1,4%	374,282	149,713
A	Managing Director	179,100	322,000	5,4%	270,879	108,352
B	Director	155,600	279,700	14,6%	208,792	83,517
C	Lead / Principal Officer	129,200	232,600	27,8%	163,714	65,486
D	Officer / Sr. Officer / Sr. Associate	96,400	192,300	42,7%	119,909	47,964
E	Associate / Analyst	79,400	127,200	4,1%	89,306	35,723
F	Sr. Admin Assistant	57,100	85,300	3,7%	68,047	27,219

a - Represents average budgeted amount per grade; including medical, life and disability insurance, accrued termination benefits, and other non-salary benefits.

IDB Invest Merit, Variable Pay and Promotions by Career Level and Gender

	Executives	Leadership	Technical	Business Support
Grade Levels	**EA-EB**	**A**	**B-C-D-E**	**F**
Staff Distribution %	**2%**	**6%**	**88%**	**4%**
TOTAL				
Merit Pay Amount	47,763	255,812	2,090,468	44,694
% of Aggregate Salary	2.1 %		6.0 %	5.9 %
Promotion & Progression Pay Amount			373,384	5,971
% of Aggregate Salary			5.5 %	7.0 %
Total Variable Pay		243,829	1,677,473	
% of Aggregate Salary		5,4%	4,8%	
MEN (50%)	**50%**	**67%**	**51%**	**0%**
Merit Pay Amount	13,175	182,234	1,103,602	
% of Aggregate Salary	1,1%	6.0%	5.9%	
Promotion & Progression Pay Amount			186,068	
% of Aggregate Salary			5,1%	
Total Variable Pay		171,439	906,300	
% of Aggregate Salary		5.6%	4.8%	
WOMEN (50%)	**50%**	**33%**	**49%**	**100%**
Merit Pay Amount	34,588	73,578	986,866	44,694
% of Aggregate Salary	3,2%	5,1%	6,1%	5,9%
Promotion & Progression Pay Amount			182,316	5,971
% of Aggregate Salary			6,0%	7,0%
Total Variable Pay		73,390	771,173	
% of Aggregate Salary		5,0%	4,7%	

All amounts refer to sums paid in 2023 for 2022 performance review cycle
Amounts for International Staff, expressed in USD
Lump sums paid for staff who are over the maximum of the salary scale are not included

Remuneration Executive Management

GRADE	Name	Position	Annual Net Salary	Benefits Budgeted [a]
EA	Scriven,James Peter	Chief Executive Officer, IDB Invest	448,000	179,200

Missing from this photo: Robert Lennard Le Hunte, Takashi Hanajiri, and Renaud Marc Christian Lassus

Countries	Executive Director and Alternate Executive Director As of december 31, 2023	
Argentina and Haiti	Marcelo Daniel Barg (Argentina)	Vacant
Austria, Belgium, People's Republic of China, Germany, Italy, and The Netherlands	Huafeng Liao (People's Republic of China)	Christina Anna Koelldorfer (Austria)
The 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	Eddy Roberto Carpio Sam (Guatemala)	Karen Cis Rosales (Honduras)
Bolivia, Paraguay, and Uruguay	Santiago Cat Ruprecht (Uruguay)	Viviana Andrea Garay Estepa (Paraguay)
Brazil and Suriname	Paulo Guilherme Farah Correa (Brazil)	Anita Fiori de Abreu (Brazil)
Canada, Denmark, Finland, France, Norway, Sweden, Switzerland, and the United Kingdom	Renaud Marc Christian Lassus (France)	Caroline Leclerc (Canada)
Chile and Ecuador	Carlos Eduardo Álvarez Voullieme (Chile)	Jorge Emilio Gallardo Zavala (Ecuador)
Colombia and Peru	Roy Alejandro Barreras Cortés (Colombia)	Michel Canta Terreros (Peru)
Croatia, Israel, Japan, Republic of Korea, Portugal, Slovenia, and Spain	Takashi Hanajiri (Japan)	Deok Young Jeong (Republic of Korea)
Dominican Republic and Mexico	Mario Alejandro Gaytán González (Mexico)	Ernesto Alejandro Selman Mejía (Dominican Republic)
Panama and Bolivarian Republic of Venezuela	Gustavo Tarre Briceño (Bolivarian Republic of Venezuela)	Carlos Alberto Vallarino Rangel (Panama)
United States of America	Vacant	Maria Fabiana Jorge (United States of America)

ANNEXES

Transparency and Access to Information Policy Implementation

During 2023, *IDB Invest* continued to make progress on implementing the Access to Information Policy, involving different *IDB Invest* teams, reaffirming our institutional commitment to improve transparency in our activities and strengthen the institution's governance.
Reflecting *IDB Invest*'s efforts, we were ranked as 5th among 21 NSG DFIs, in Publish What You Fund's 2023 DFI Transparency Index.

I. Regulation and Governance

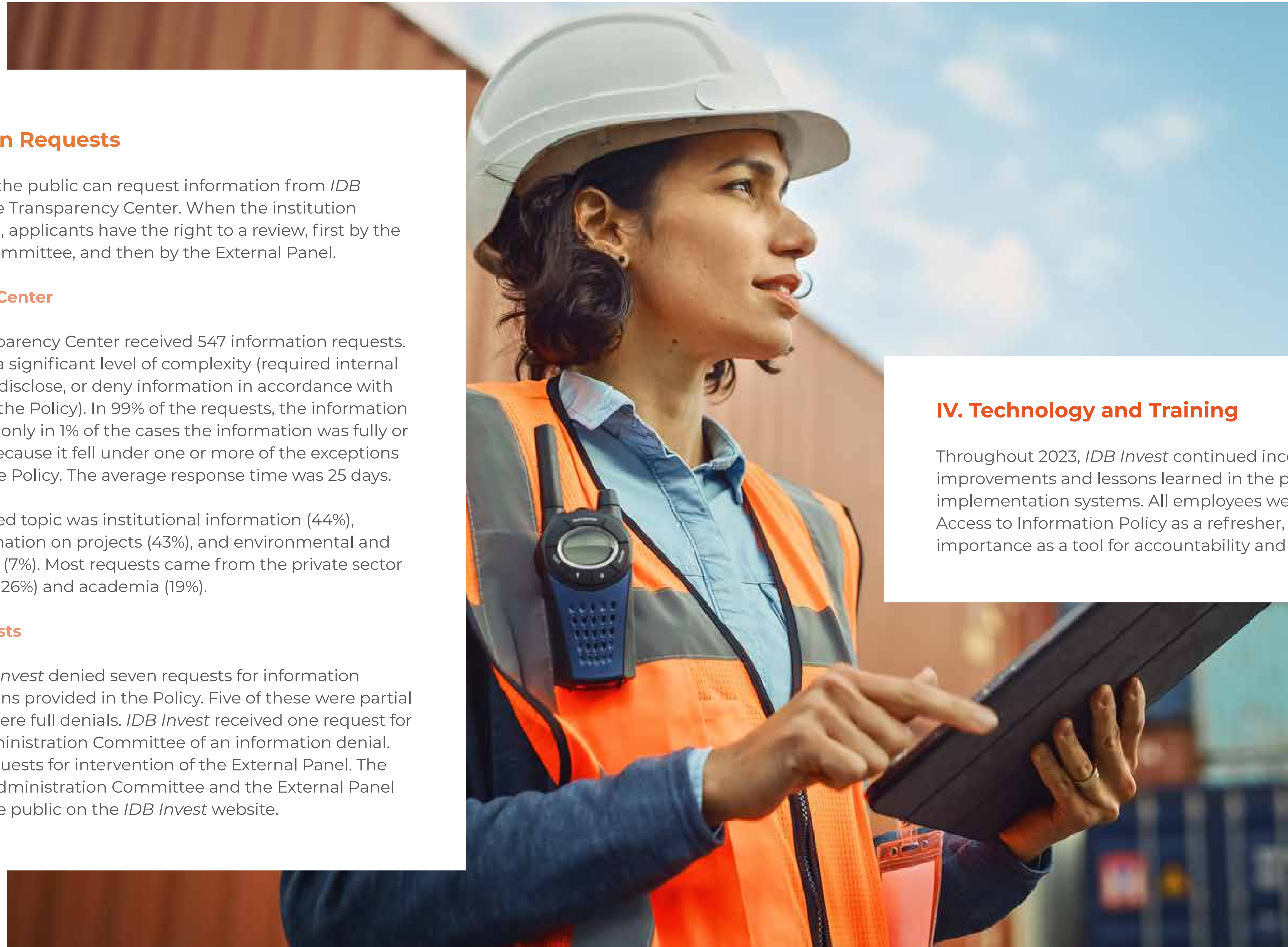
In December 2023, the Board of Executive Directors approved the renewal of the appointment of Catalina Botero Marino, Dariusz Prasek and Roberto Saba as members of the Access to Information External Review Panel, for an additional three-year period.

II. Proactive Disclosure

During 2023, *IDB Invest* complied with the proactive disclosure commitments established in the Policy, increasing the quantity and quality of information shared on our website. Launching a revamped Transparency Section on our website was a significant accomplishment that increases the accessibility of information with a single comprehensive point of entry to obtain institutional information.

Aligned with the Access to Information requirements, *IDB Invest* disclosed the environmental and social information for 65 projects throughout the year.

IDB Invest also increased transparency by proactively disclosing monthly information under the International Initiative for Transparency in International Cooperation (IATI).



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 a review, first by the Administration Committee, and then by the External Panel.

A) Transparency Center

In 2023, the Transparency Center received 547 information requests. Of these, 201 had a significant level of complexity (required internal actions to search, disclose, or deny information in accordance with the exceptions to the Policy). In 99% of the requests, the information was provided and only in 1% of the cases the information was fully or partially denied because it fell under one or more of the exceptions to disclosure in the Policy. The average response time was 25 days.

The most requested topic was institutional information (44%), followed by information on projects (43%), and environmental and social information (7%). Most requests came from the private sector (43%), individuals (26%) and academia (19%).

B) Review Requests

During 2023, *IDB Invest* denied seven requests for information based on exceptions provided in the Policy. Five of these were partial denials and two were full denials. *IDB Invest* received one request for review by the Administration Committee of an information denial. There were no requests 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 2023, *IDB Invest* continued incorporating improvements and lessons learned in the policy implementation systems. All employees were trained in the Access to Information Policy as a refresher, emphasizing its importance as a tool for accountability and transparency.

IDB Invest 2023 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 fifth consecutive TCFD disclosure. *

** The TCFD officially disbanded in 2023 and its recommendations have been consolidated under the International Sustainability Standards Board (ISSB). IDB Invest is evaluating reporting its climate-related financial disclosures in line with the standards of the ISSB.*

Governance

Board oversight of Climate-related Risks and Opportunities

Highlights in 2023:

- *IDB Invest* Senior Management oversaw the roll-out of *IDB Invest*'s commitment of aligning financial flows with the mitigation and adaptation goals of the Paris Agreement.
- *IDB Invest* Board of Executive Directors and relevant personnel received extensive capacity building on Paris Agreement alignment.

The *IDB Invest* Board of Executive Directors (the "Board") is comprised of 13 chairs representing its 48 member countries. These members include 26 regional developing countries in Latin America and the Caribbean and 22 members from other regions. The Board, in coordination with Management, oversees climate-related risks and opportunities.

Policies and strategic documents approved by the Board:

- Second Update to the Institutional Strategy of the IDB Group.
- IDB Group Climate Change Action Plan 2021-2025.
- IDB Group Corporate Results Framework 2020-2023.
- *IDB Invest* Environmental and Social Sustainability Policy.
- *IDB Invest* Access to Information Policy.
- *IDB Invest* 2023 Business Plan Update and *IDB Invest* 2024 Business Plan.

A new *IDB Group* institutional strategy is currently under development and expected to be considered by the IDB and *IDB Invest* Governors at the 2024 Annual Meeting.

Board responsibilities, Activities, and Capacity Building

The Board receives quarterly updates and regular technical briefings on climate-related issues. Those include the Business Quarterly Reports, specific sessions on institutional strategy, risk management and metrics, and the *IDB Group* Climate Change Action Plan Implementation Progress Report, through the Executive Committee of the Board. In addition, the Board may request additional technical briefings when deemed necessary. In 2023, *IDB Invest* delivered two additional technical briefings on the Paris Alignment implementation process with case studies and examples across all relevant industries.

The Board monitors the achievement of institutional targets on both climate risk and climate finance through the Corporate Results Framework.

The Board oversees and monitors *IDB Invest*'s financial and non-financial risks exposure through the Audit and Risk Oversight Committee (ARC).

The Board approves investment proposals (with certain exceptions where this authority has been delegated to Management), which include material information on climate risks and opportunities. Building on trainings and dialogue from previous years, the Board has participated in sessions focused on aligning financial flows with the Paris Agreement. The completion of a course on Paris Alignment and transformational climate finance was mandatory for relevant *IDB Group* employees and all Board members. The capacity building agenda also included non-financial risk, climate and green finance and the Environmental and Social Sustainability Policy.

The Role of Management

***IDB Invest* Senior Management is responsible for monitoring both climate-related risk and low carbon and resilience opportunities.** 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 briefs Senior Management on implementation of climate change strategy and results regularly. Furthermore, the Environmental, Social and Corporate Governance Division assesses climate-related physical and transition risks for *IDB Invest* financed transactions. Additionally, the Risk Management Department, headed by the Chief Risk Officer, houses an Environmental and Social Risk team. The team manages climate-related financial risks at the portfolio level while also working on quality enhancement and data intelligence. Its mandate and processes are further described in the Risk Management section.

Operationalizing the commitment to align all new operations with the mitigation and adaptation goals of the Paris Agreement was an institutional priority in 2023. The institutional change management process, which is ongoing, has been overseen by the Chief Strategy Officer. This mandate encompassed the roll-out of the *IDB Group and IDB Invest* Paris Alignment Implementation Approach. It included the development and communication of technical guidance for both climate change mitigation and adaptation assessments, sector-specific tools and guidance, internal knowledge sharing activities, as well as engagement with external stakeholders. This engagement focused on clients, civil society organizations, and other development finance institutions including all fellow Multilateral Development Banks (MDBs).

Management 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 Paris Alignment Implementation Approach and supplementary sectoral guidance. 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, including portfolio related to climate-related risks.

Climate Risk-Related Working Groups

The TCFD working group comprises representatives of all departments, namely members of the office of the General Manager, Finance and Administration Department, Risk Management Department, Strategy and Development Department, Legal Department, and Investment Operations Department. The working group meets to direct the mainstreaming of mitigation strategies for climate-related risks and of opportunities to greater climate actions across the organization. The group's mandate consists of overseeing, managing, and coordinating *IDB Invest*'s TCFD alignment process, including the annual TCFD Disclosure. The group also provides guidance to the climate risk working group at an operational level

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The climate risk working group comprises climate and risk management professionals. In 2023, the group proposed a short-term climate risk road map, aimed at guiding the enhancement of climate risk management practices in 2024, to be complemented by medium- and long-term activities.

Strategy

Highlights in 2023:

- *IDB Invest* convened a Blue-Ribbon Panel to help shape its climate change strategy.
- *IDB Invest* management prepared a proposal for a new business model.
- *IDB Invest* completed its first full year of implementation of institutional commitment to align its new operations with the mitigation and adaptation goals of the Paris Agreement.

Climate Change Trends and Tools for Climate Finance

IDB Invest convened a Blue-Ribbon Panel on climate change consisting of leaders from the United Nations, academia, and regional, multinational and Fortune 500 companies to help shape *IDB Invest*'s climate strategy. The panel's mandate was to undertake a review of global and regional climate trends, identify market opportunities, and assess *IDB Invest's* capacity to raise its level of climate ambition. The panel found market opportunities for *IDB Invest* to increase its focus
on as follows:

- **Clean technologies**, which are gaining momentum, and for which many countries in the region still have untapped potential.
- **Energy end-users**, representing a market with high-growth potential, including green buildings, power purchase agreements and clean transport systems.
- **Agriculture**, a key economic driver for the region - and one of its most undesirable consequences, deforestation - generate a demand for nature-based solutions.
- **Plastics and waste reduction**, which create opportunities for circular economy investments. Carbon markets in LAC, which are an emerging space, and which *IDB Invest* has the potential to shape by helping its clients.

Through this Blue-Ribbon Panel, *IDB Invest* also reimagined how to deploy the tools and resources at its disposal and establish priorities including the following:

- Blended finance, to pair commercial finance with concessional funds to de-risk investments. Blended Finance is generally used in specific projects or funds but can be adapted to many financial products. Using blended finance at scale requires donor funds, as well as a strategy to ensure it is used efficiently and does not distort markets.
- Advisory and technical assistance, to help address non-financial barriers and provide tools for sustainable growth. *IDB Invest*'s technical assistance already supports the private sector in developing net-zero strategies and low-carbon initiatives, as well as tools for tracking sustainable finance. Expanding the current work will require identifying high-impact programs and raising funds from donors and philanthropic organizations to support them.
- Financing instruments can help align *IDB Invest* with its climate commitments. These could include client-oriented solutions with financial and non-financial benefits. Green and sustainable bonds are examples of market instruments that can help steer capital to sustainable investments.
- These instruments are being used individually or in combination to provide a holistic system to take nascent or undervalued markets to scale. Working closely with the public-sector arm of the IDB Group provides another lever to create climate-friendly government policies that can accompany advisory or concessional finance for private sector climate action.
- Moreover, *IDB Invest* also commissioned a study on the Taskforce for Nature-Related Financial Disclosures (TNFD) which provided guidance on potential next steps for *IDB Invest* as it undertakes more assessments of nature-related risks and opportunities.

A New Business Model for Climate Action

Historically, *IDB Invest* has been focused on increasing climate finance in its portfolio and continues to aim to allocate at least 30% of its financing to climate activities. At the same time, *IDB Invest* sought to mainstream climate across its investments with a target of 40% of its investments with climate components. In this context, *IDB Invest* reviewed and assigned climate finance to 65% of transactions in 2023 using the joint MDB methodology for tracking climate finance.

COP28 highlighted Latin America and the Caribbean as a key player in global climate action given its wealth of natural resources and biodiversity, and its innovative climate solutions. During COP28, *IDB Invest* shared its strategy and vision for a groundbreaking business model, aimed at mobilizing private capital towards climate initiatives in LAC. This new business model signifies a shift towards accepting greater risk and reshaping the global climate financial landscape. By actively steering private capital into climate action, *IDB Invest* is demonstrating how financial institutions can be dynamic catalysts in the fight against climate change, a strategy that is vital for transforming climate challenges into sustainable opportunities. *IDB Invest* Management, by mandate from its Board of Governors, and in coordination with the Board of Executive Directors, has prepared such a proposal for the new business model, in advance of the Annual Meeting in March 2024.

IDB Invest showcased some of its ambition for the future through highlighting various business models, investments and tools at COP28. One such example was the incorporation of financial resilience clauses that safeguard production flows in case of those eventual climatic events on agribusiness and to protect construction on infrastructure projects such as ports in the Caribbean. The measures to climate-proof private investments include loan repayment facilities, either by granting longer tenors or by extending those initially planned, if necessary. In addition, *IDB Invest* supported clients in 2023 in designing and rolling out their battery recycling program as part of their commitment to electromobility in Chile. Among the notable knowledge products and tools developed were a position paper on business models for marine conservation and the launching of AGRIADAPT, a tool based on cutting-edge agricultural and climate data that provides customized climate vulnerability analysis and adaptation recommendations.

Paris Alignment

In 2021 the *IDB Group* launched its plan of action to align new operations with the goals of the Paris Agreement by 2023 and make its finance flows consistent with a pathway towards both low greenhouse gas (GHG) emissions and climate-resilient development. Starting in 2023 all new projects were assessed with respect to their compatibility with both the Paris Agreement's climate change mitigation and its adaptation and resilience goals.

The foundational guidance for Paris Alignment was set through Methodological Principles developed jointly by Multilateral Development Banks (MDBs), which acknowledge differences in the institutional and political realities of each organization. They outline the need for context-specific interpretation and operationalization given the different institutional mandates and operational procedures. In 2023, the IDB Group published its Paris Alignment Implementation Approach to build on the Joint MDB Principles.

Additionally, the IDB Group published sector guidelines for five sectors: agri-food systems, water and sanitation, financial intermediaries, transportation, and energy.

IDB Invest launched its own institution-specific "*IDB Invest* Paris Alignment Approach" based on the guidance for the IDB Group but with nuanced considerations for the private sector. This *IDB Invest* approach serves as a lever to support an institutional transformative change that moves from considering climate change only in a portion of our business to a lens applied to all new investments, embedding climate considerations into the core of business origination efforts.

As such, in 2023 each *IDB Invest* new transaction needed to be Paris aligned in line with the Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment. To be considered "Paris-aligned", each transaction must be aligned with both the mitigation (BB1) and adaptation and resilience (BB2) parts of the methodological framework. BB1 focuses on whether the transaction is consistent with a low-GHG development pathway for that country and does not undermine a transition to a decarbonized economy, in that country and globally. BB2 focuses on management of physical climate-related risks, including in a way that is not inconsistent with the country's adaptation and climate resilience strategies and plans. Where possible, BB2 aims at leveraging the transformational potential of the financed activities to contribute to climate-resilient development pathways.

2023 was the first year of implementation of the commitment to align new operations to the Paris Agreement.

For assessing alignment with the adaptation goals (BB2), it was operationalized by incorporating such evaluation into the existing *IDB Invest* Climate Risk Assessment conducted as part of regular environmental and social due diligence. For assessing alignment with the mitigation goals (BB1), *IDB Invest* conducted 60 detailed assessments. Such detailed assessments are performed for those transactions that are not clearly aligned or misaligned with the goals of the Paris Agreement, and which may require adjustments that can be supported through technical assistance.

Through this new process of evaluating Paris Alignment for transactions, *IDB Invest* piloted new methodologies and improved the guidance and tools. The climate teams captured lessons learned on documenting these assessments, engaging with clients to capture more detailed and more accurate data, and on internal coordination and reporting to gain efficiencies, which will be critical for scaling.

Risk Management

Highlights in 2023:

- Creation of a short-term road map aimed at enhancing climate-related risk management practices.
- *IDB Invest* piloted a credit scorecard for corporate loans that incorporates an assessment of both climate-related physical and transition risks.

Incorporation of climate-related risk management into existing risk management framework

***IDB Invest's* Risk Taxonomy outlines the risk categories and management practices adopted by the organization.** It guides discussions on areas of heightened risks, informs how the risk governance is established and serves to shape institutional policies and guidelines. It also describes the conceptual approach for different categories of risks, the teams accountable for managing them, the tools employed and oversight structures at different levels.

Environmental risks, including those related to climate, are part of the risks considered strategic by the *IDB Invest* Risk Taxonomy. As such, they are recognized as risks arising from business decisions or improper responsiveness to industry changes, which may affect development goals, earnings, or capital. Primary responsibility to manage this risk at the transaction level rests with the Investment Operations Department and the Environment, Social and Corporate Governance Division.

The *IDB Invest* Risk Appetite Policy sets out the level of risks that the institution is willing to accept and how they should be managed. The implementation of the Risk Appetite Policy allows *IDB Invest* to maintain a balanced and diversified exposure across regional developing member countries, sectors, economic groups, and clients. The Risk Appetite Policy refers to the Environmental and Social Sustainability Framework, which encompasses the Environmental and Social Sustainability Policy and the Environmental and Social Exclusion List.

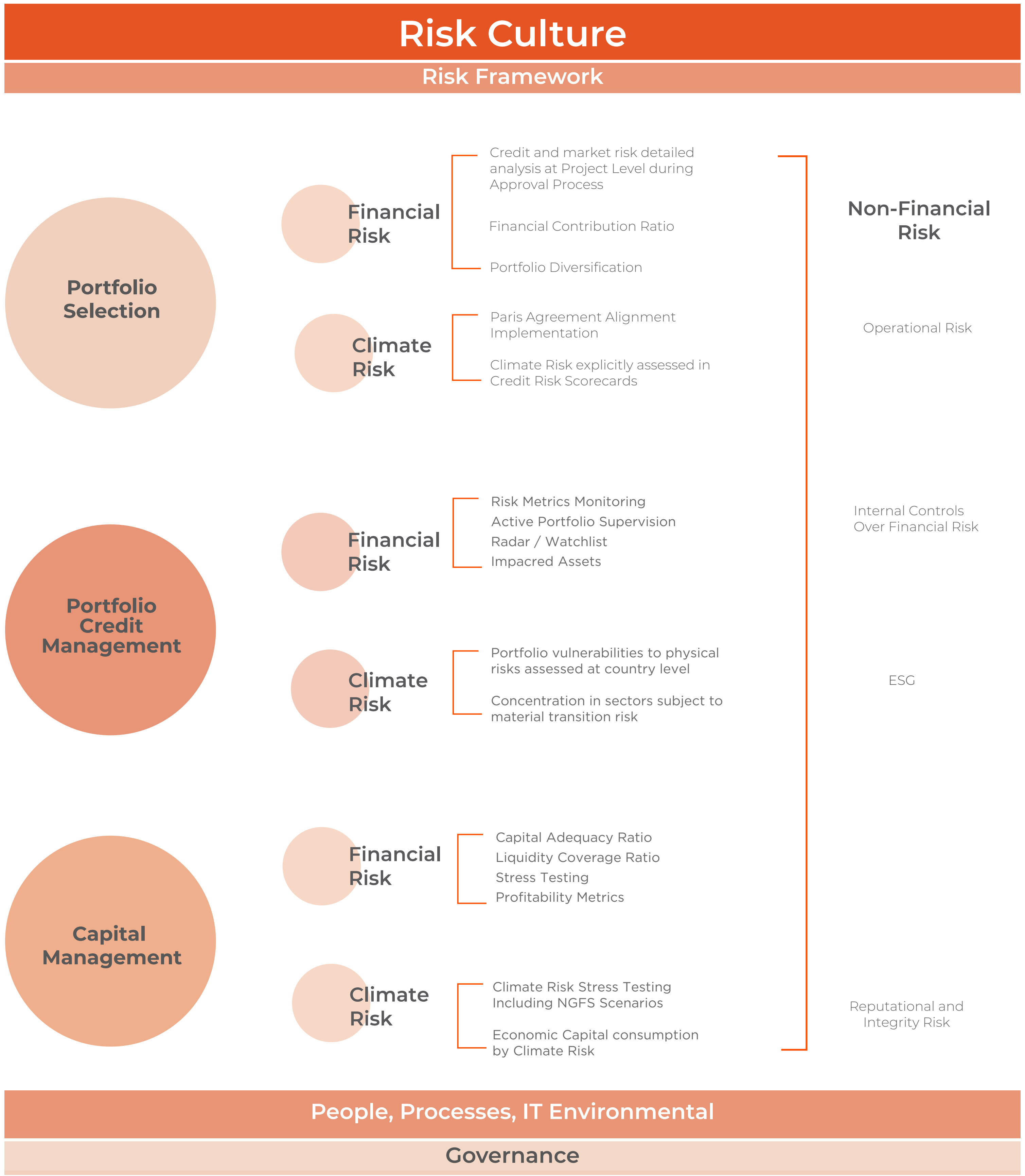
The Environmental and Social Sustainability Policy aims at enhancing the environmental and social sustainability of the investment projects financed by *IDB Invest* while reinforcing the institutional commitment to sustainable development. The Environmental and Social Exclusion List prevents *IDB Invest* from knowingly financing, directly, or indirectly through financial intermediaries, activities that are inconsistent with the *IDB Invest*'s commitments to address the challenges of climate change and promoting environmental and social sustainability, including thermal coal mining, coal-fired power generation and associated facilities as well as upstream oil and gas exploration and development projects.

The Environmental and Social Sustainability Policy establishes that all projects financed by *IDB Invest* shall include adequate provisions for actions necessary to prevent, control and mitigate negative impacts on the environment and/or on communities, improve environmental quality, and promote compliance by our clients with local labor laws and regulations, as well as *IDB Invest*'s sustainability standards. When necessary, additional mitigation measures are requested as part of an environmental and social action plan, which is part of the financing agreements. Such plans may also include provisions to address climate-related transition and physical risks.
***IDB Invest* will continue to integrate new methodologies, tools and capabilities to enhance the current framework to identify, assess, prioritize and mitigate climate-related risks.**

Initiation of climate-related risk analysis integration into the existing financial risk framework.

In 2023, *IDB Invest* concluded a benchmark analysis focused on climate-related risk management practices aimed at identifying good practices and methodologies to be implemented at project, counterparty and portfolio levels. A short-term road map was created to enhance risk management measures, which will be complemented by medium- and long-term activities.

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.



Explicit Assessment of Climate Risk in Credit Risk Scorecards

IDB Invest utilizes credit risk scorecards to determine probabilities of default (PD), and Loss Given Default (LGD) for each debt-related transaction. 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 2023, *IDB Invest* piloted a scorecard for corporates loans that incorporates the assessment of climate related physical and transition risks. The pilot focused on the integration of environmental, social and governance (ESG) and climate factors in credit risk analysis to improve overall risk rating and pricing, contractual protections and prioritize de-risking initiatives. A sample of 55 companies corresponding to 55% of the corporate clients of the combined IDB plus *IDB Invest* portfolio was used to analyze the credit risk by industry and company. Different teams were involved in the initiative, including investment, credit risk and environmental and social groups. Some key takeaways from the pilot were related to the importance of additional capacity building for the analysis of the intersection of ESG factors and credit factors, adjustment to data collection done during regular environmental and social due diligence and complementary evaluations for stress testing to assess climate change credit risk scenarios. The pilot will continue in 2024 with project finance loans. The results will inform the decision on incorporating ESG-enhanced scorecards in 2025.

Portfolio Vulnerabilities to Physical Risks at Country Level

***IDB Invest* continues to assess vulnerabilities to physical risks, including flooding and wildfires, at country level, to complement project-level climate risk assessments.** As vulnerability and risk analysis at the portfolio level evolve, *IDB Invest* is planning on incorporating additional tools for 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 2023, *IDB Invest* integrated its Paris Alignment process into the Climate Risk Assessment methodology at the transaction level. The results of the climate risk screenings performed up to 2023 were used to develop aggregated analysis of the transactions and generate a dashboard to identify and track the degree of exposure to transition risks, as well as areas of risk concentration. Although the climate-related assessments performed by *IDB Invest* have not shown a material impact to our portfolio, the exercise demonstrated the need to refine and enhance the methodology used and extend the coverage to 100% of the portfolio.

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 economic capital consumption.

Climate Risk Assessment Methodology

Identification and Assessment of Physical Risks

***IDB Invest* follows a three-step methodology to assess disaster and physical climate-related risks comprising of a screening, analysis, and risk management stage. The first step, a multi-hazard screening, leverages geographical information systems.** Thereby, *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. Narrative-based sector sensitivity information forms part of the screening to complement the natural hazard and exposure information. For transactions that are considered to face medium or high climate-related risks or for those where location-based information cannot be evaluated, further analysis takes place. This takes the form of independent engineer reviews for infrastructure projects, client documentation reviews and an assessment of existing risk management systems and procedures. Where applicable and in accordance with its Sustainability Policy Framework, *IDB Invest* may require or recommend climate risk management-related measures to clients as part of the Environmental and Social Action Plan.

IDB Invest assesses a transaction's physical risk as well as resilience and adaptation measures both as part of the Paris Alignment assessment process and due to commitments in its Sustainability Policy Framework. Hence, in 2023 *IDB Invest* merged the assessment of disaster and physical risks as part of the Climate Risk Assessment methodology with the adaptation Paris Alignment assessment methodology and process. In operationalizing this change, *IDB Invest* created further guidance on disaster and physical climate risk assessment, including but not limited to sector sensitivity scores to complement narratives as well as a corporate climate adaptation progression matrix. At the end of 2023, *IDB Invest* inaugurated AGRIADAPT, a physical risk assessment tool leveraging cutting-edge climate and agricultural data, for the agribusiness sector with training to operational staff foreseen in early 2024.

Identification and Assessment of Transition Risks

As part of the Paris Alignment assessment process, *IDB Invest* is considering transition, carbon lock-in and stranded asset risks when analyzing direct investments that are not considered universally aligned according to the Joint MDB Methodological Approach. As such, the transition risk screening tool to classify exposure to transition risk at the transaction level was replaced by the mitigation Paris Alignment assessment which considers the use of proceeds for direct investments and the counterparty for transactions where the use of proceeds cannot be ringfenced such as equity investments or working capital loans. *IDB Invest* uses carbon shadow pricing in its economic analysis where applicable, capturing the impact of its investments on projects' sustainability.risks or for those where location-based information cannot be evaluated, further analysis takes place. This takes the form of independent engineer reviews for infrastructure projects, client

Paris Alignment Implementation Risk

The commitment to align financial flows with the mitigation and adaptation goals of the Paris Agreement represents a significant step towards mainstreaming the assessment of climate-related risks and opportunities across the institution. However, the change management process 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 structure, faces significant climate risk exposure, or has a complex supply chain.

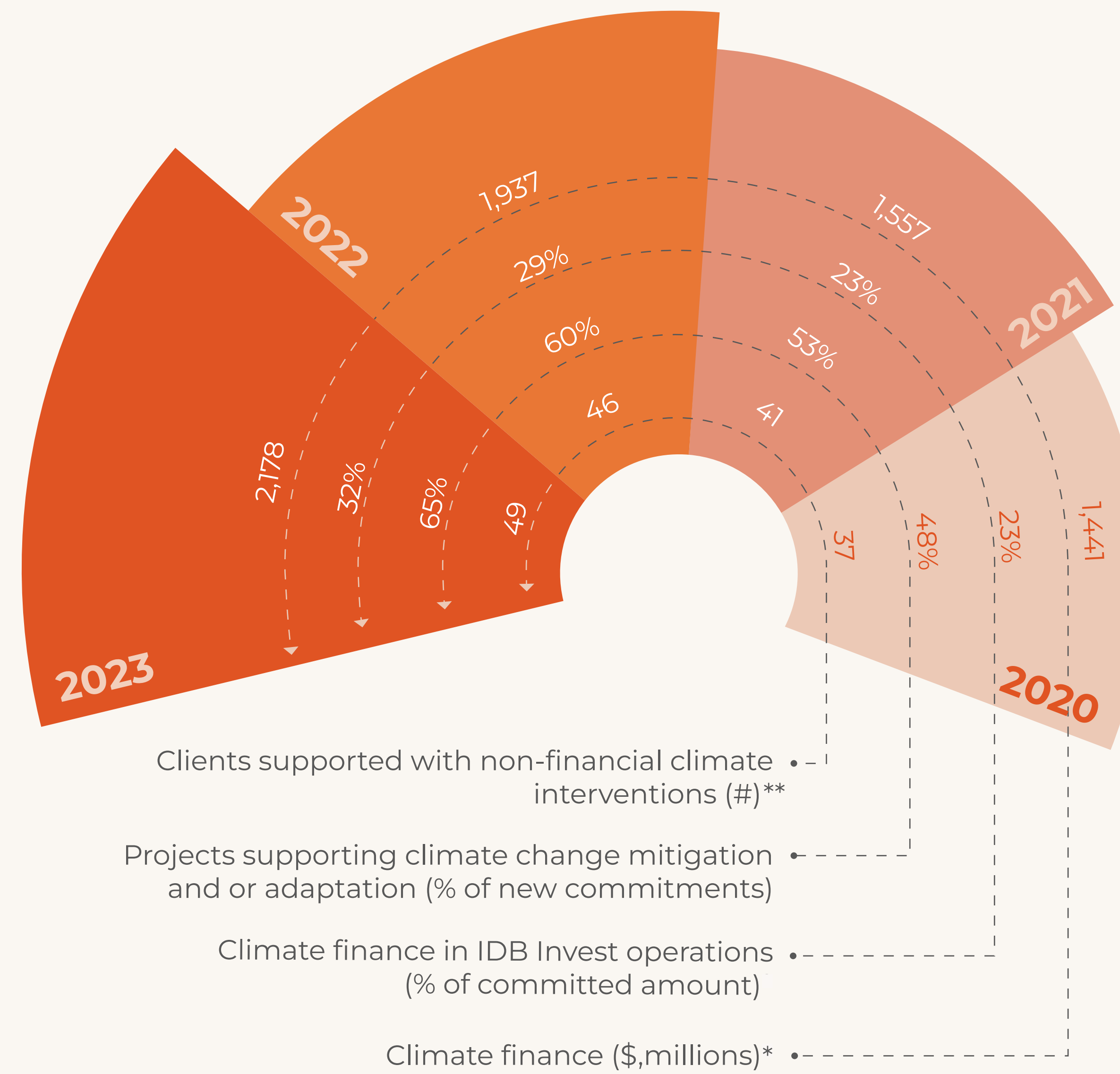
Accordingly, reputational risks may arise associated with any actual or perceived incoherence with the Paris Alignment commitment and methodologies. As the institution gains more experience in assessing these issues, processes will become more streamlined, and conclusions more corroborated. To manage this risk, *IDB Invest* applies a four-eye-principle during the Paris Alignment assessment process and fosters a culture of continuous learning and improvement. At the same time, it is worth noting that the rigor and focus on climate-related issues as a result of the Paris Alignment assessment has the potential to reduce climate-related risks for the transaction and at the counterparty level at large, particularly where the counterparty is subject to Paris Alignment assessment.

Metrics and Targets

IDB Invest published its inaugural Sustainability Report in 2023, marking a key institutional milestone. The report has been developed with reference to the 2016 Global Reporting Initiative (GRI) standards, disclosing impact-related metrics and targets on a variety of sustainability topics including climate.

In terms of Climate Finance, *IDB Invest* has consistently grown its climate finance portfolio, from $476 million in 2016 to $2.1 billion in 2023.

Table 1: ***Climate-related financial and non-financial solutions***



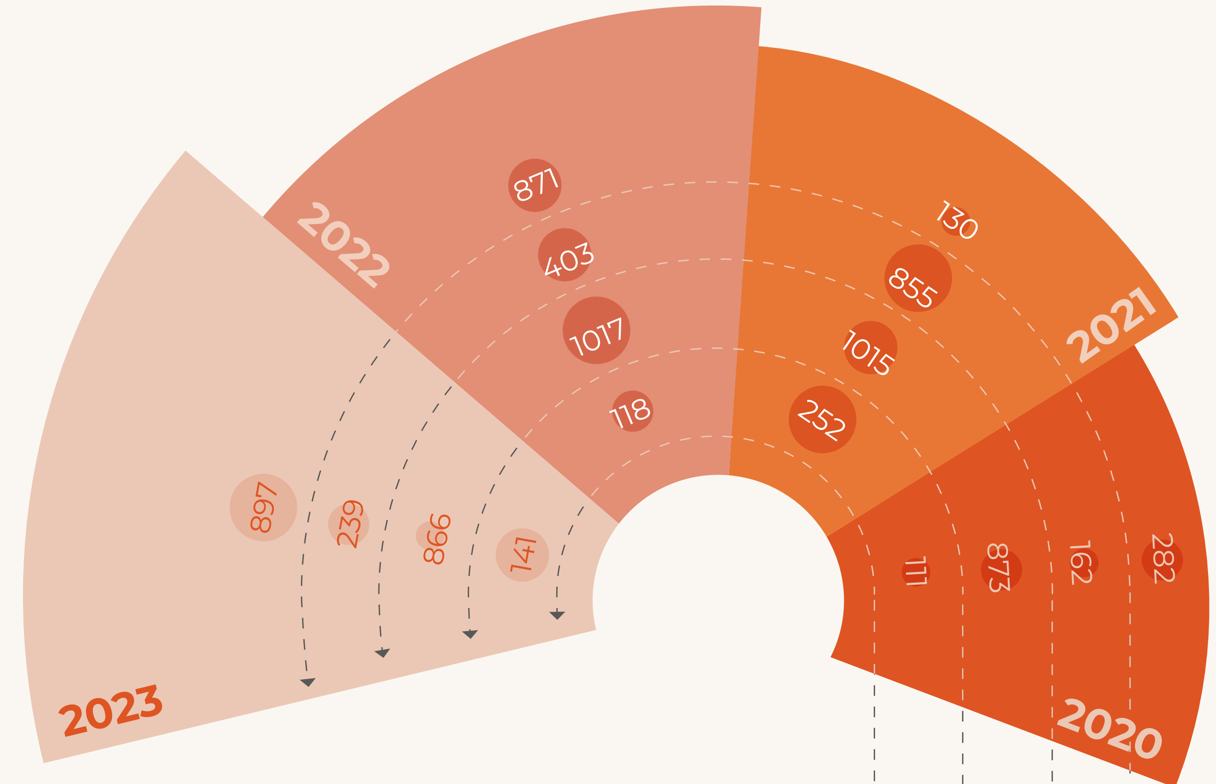
** This figure refers to all financing including short-term financing. The reporting according to the joint MDB methodology concerns medium- and long-term climate finance only.*
*** Number of new climate advisory services agreements signed with clients.*

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). *IDB Invest* discloses metrics pertaining to pro-rated IDB Group data based on the proportion of employees working at *IDB Invest* in *Table 2*.

Table 2: ***GHG metrics relating to corporate activities****



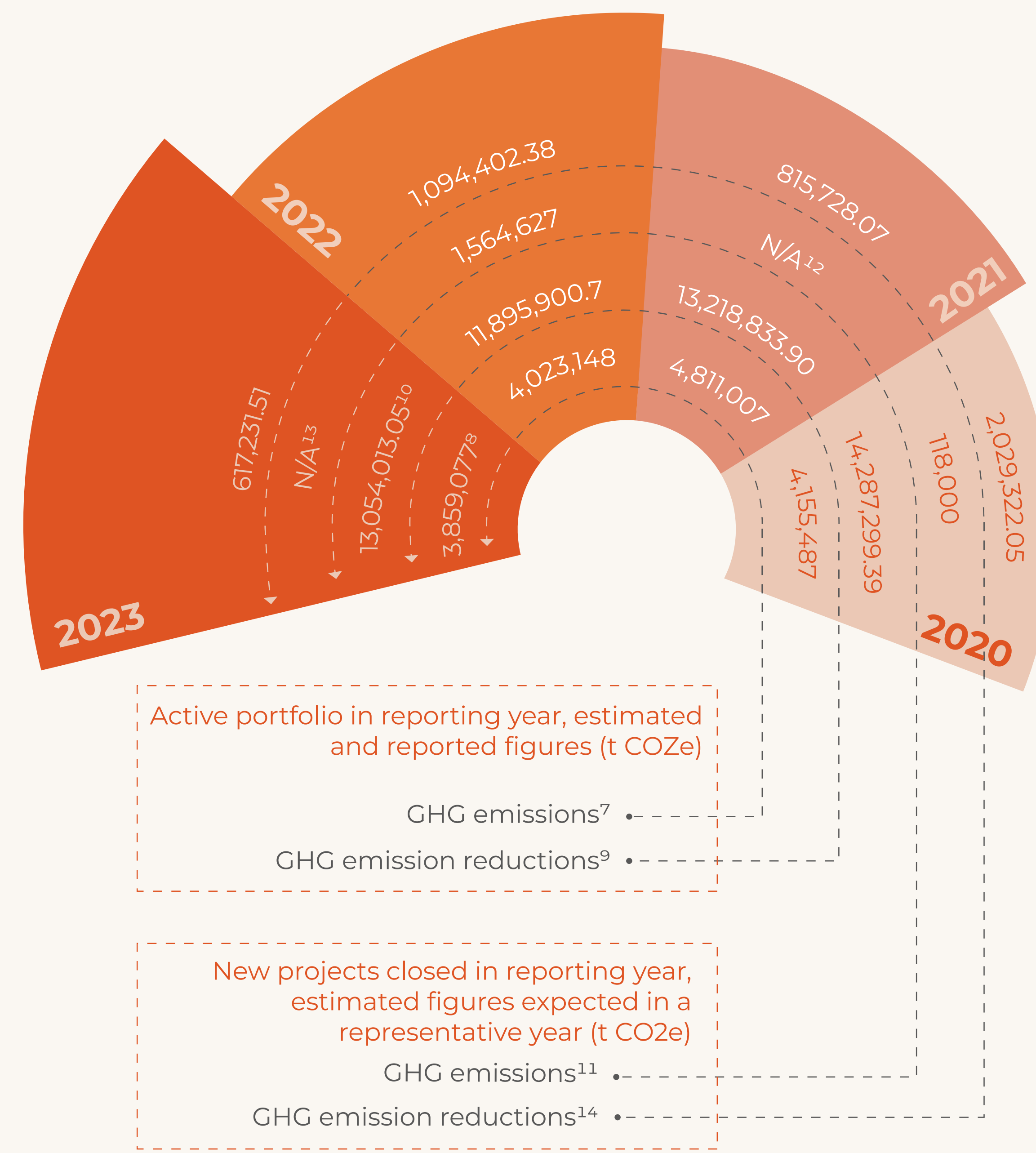
* *These metrics relate to the IDB Group figure, prorated with the proportion of employees working for IDB Invest (i.e. 13.8% in 2020, 15.1% in 2021, 14.9% in 2022, 14.8% in 2023). Further information on the carbon accounting methodology, reduction targets and carbon neutrality is available in the IDB Invest Sustainability Report as well as in its Global Reporting Initiative Annex.*

GHG Financed Emissions and Emission Reductions

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* tracks absolute GHG emissions of those transactions which are 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 that is 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'*.

*Table 3: **GHG metrics relating to financing activities***



[7] 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.
[8] Provisional data.
[9] 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.
[10] The difference (decrease) in terms of GHG annual expected reductions is derived from: i) difference between the actual and ex-ante estimation, as some of the financed projects started actual energy generation reporting, and ii) because of the evolution in grid emission factors of the countries.
[11] 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.
[12] 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.
[13] In 2023, 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.
[14] 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.

** 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).*

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