

Environmental and Social Review Summary (“ESRS”)

LAC Eco.Business Fund Partnership for Biodiversity /14918-01 – Regional

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction was carried out through a desk review and conversations with staff from the Fund Advisor and EBF. The assessment included an analysis of the Fund’s investment process, E&S risk assessment, human resources policies, pipeline, and organizational setup. The Fund Advisor is a leading impact manager and an existing client of IDB Invest with satisfactory E&S performance.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2 under IDB Invest’s Sustainability Policy. The sub-loans to be supported have low to moderate risk potential. This transaction is a partnership to provide funding to EBF, mostly for on-lending to financial intermediaries and a smaller amount will directly fund corporates. The indirect financing has as end-borrowers, small and medium enterprises, with a loan size of about US\$150,000 and an average tenor of three years. Typically, the loan size of the Fund to financial intermediaries is between US\$15 to 20 million, with an average tenor of five years. The Fund aims to support biodiversity conservation, sustainable use of natural resources, and climate mitigation and adaptation. The Fund focuses on sustainability in four economic sectors: agriculture and agri-processing, fishery and aquaculture, forestry, and sustainable tourism.

A minority of the loans of this transaction will be allocated toward direct lending of the Fund to corporate projects that contribute to Fund’s objective. The size of Fund’s direct lending is on average US\$10 million, currently, only two category B projects are part of EBF’s corporate lending portfolio.

Category A and/or FI-1 sub-projects, per IDB Invest’s definition, will be excluded from the Fund’s financing.

The transaction is considered Paris Agreement-aligned based on the analysis conducted under the IDB Group Paris Alignment Implementation Approach. The analysis considered the Fund’s commitment to enhance its ESMS by strengthening its procedures to analyze climate risk in its portfolio.

- 3. Environmental and Social Risks and Impacts.** The E&S risks of this transaction are related to EBF’s capacity to assess and manage climate risks associated with its investments. The main E&S risks may be related to land use change, climate change, occupational health and safety, supply chains, and pesticide/chemical use.

EBF will be required to manage these risks through the application of its Environmental and Social Management System (“ESMS”), Investment guidelines and procedures. These policies, procedures, and forms will be enhanced by the Environmental and Social Action Plan (“ESAP”).

- 4. Mitigation Measures.** EBF has an exclusion list and an Environmental, Social and Governance Policy and Procedures (ESMS, by the standard acronym) since 2016 that is updated frequently,

and which latest update will be approved by the EBF Board in December 2024. The Policy states the International Finance Corporation Performance Standards (“IFC PSs”), OECD guidelines, UN guiding principles on human rights, the Kunming-Montreal global biodiversity framework, and the Sustainable Finance Disclosure Regulation (“SFDR”) as the underlying philosophy of the Fund. The Policy highlights the Fund’s commitment to human rights, good governance, integrity, climate change assessment, consideration of gender-differentiated risks, and proactively engagement of stakeholder groups. The ESMS is reviewed and updated every two years following a continuous improvement procedure.

The Fund's Environmental and Social Due Diligence (“ESDD”) involves the assessment of Fund’s requirements, including exposure to exclusion list activities, contextual environmental and social risks, including deforestation/biodiversity hotspots, climate change vulnerability, human high risks, as well as any major E&S related claims or incidents. According to the ESMS, the Fund does not invest in any Category A nor FI-1 projects with some exceptions, and for those direct investments categorized as moderate-high risk (B+) an external consultant is required.

Screening towards all applicable Performance Standards is triggered by project finance loans or project-related corporate loans with an amount equal to or higher than US\$5 million (or its equivalent in any other currency) or transactions where the total project costs are equal to or higher than US\$10 million (or its equivalent in any other currency), provided that the transaction has a tenor of 36 months or more. This screening is classified as Scope 1 in the ESMS. As a result of the ESDD process, and if gaps are identified, an ESAP is proposed. EBF includes contractual E&S clauses and reporting requirements in all its contracts. EBF executes a detailed assessment of deforestation risk for agricultural activities, considering local legislation, satellite images (Global Forest Watch), and land use change data at the municipality level. Climate risk and vulnerability assessment need to be strengthened.

The Fund has an internal and external grievance mechanism. The external grievance mechanism is posted on the Fund’s website¹.

The Fund will be required to ensure that all investments comply with IDB Invest’s Exclusion List, applicable E&S local laws, and the IDB Invest Environmental and Social Guidelines, including the IFC PSs when applicable. These requirements are reflected in the ESMS to be implemented by the Fund and to be approved by the EBF Board in December 2024. The verification of implementation and continuous improvement of the Fund’s ESMS, specifically for Latin America and the Caribbean fund are included in the ESAP.

¹ www.ecobusiness.fund/en/complaints (the mechanism is available in French, English and Spanish)

5. Environmental and Social Action Plan (ESAP):

Activity	Description	Deliverable	Delivery Date
PS1: Assessment and Management of Environmental and Social Risks and Impacts			
Environmental and Social Assessment and Management System	Board approval of the ESMS	Proof of board approval	Three months after disbursement
	During implementation of the ESMS, identify areas of improvement and ways to implement those identified improvements.	Report on areas of improvement identified and improved ESMS	As part of the Annual Environmental and Social Compliance Report (“ESCR”)
	Assessment of the first three direct transactions of scope 1 (triggering all Performance Standards), to be reviewed: (i) E&S categorization and (ii) proposed action plan.	ESDD Reports	Post investment for each transaction
	Incorporate procedures to systematically identify and mitigate climate physical risk in its investment portfolio into the ESMS.	Climate risk procedures	Twelve months after disbursement
Organizational capacity and competency	EBF will train all E&S team staff and other staff involved directly or indirectly in E&S risks management on ESMS implementation, including climate risks.	Training materials and attendance record of the personnel involved directly and indirectly in ESMS implementation.	Twelve months after disbursement

6. Contact Information For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.