IDB | Invest

# IDB Invest's Environmental and Social (E&S) Review Process

## CLIENT ENGAGEMENT

The Client receives a copy of **IDB Invest Environmental and Social Sustainability Policy**, which establishes the E&S commitment and requirements for all operations and describes the approach for E&S risk management and opportunities. The Policy is underpinned by the **IFC Performance Standards on Environmental and Social Sustainability**, a widely accepted standard in the international finance community establishing Client requirements. These include:

**Performance Standard 1**
Assessment and Management of Environmental and Social Risks and Impacts

**Performance Standard 2**
Labor and Working Conditions

**Performance Standard 3**
Resource Efficiency and Pollution Prevention

**Performance Standard 4**
Community Health Safety and Security

**Performance Standard 5**
Land Acquisition and Involuntary Resettlement

**Performance Standard 6**
Biodiversity Conservation and Sustainable Management of Living Natural Resources

**Performance Standard 7**
Indigenous Peoples

**Performance Standard 8**
Cultural Heritage

## ENVIRONMENTAL AND SOCIAL (E&S) APPRAISAL

IDB Invest E&S Team conducts its due diligence (ESDD) process, which includes:

- Obtaining information about the Client's assets and management of E&S risks and impacts;
- Assigning a project categorization based on E&S risk;
- Conducting a site visit to the project's area of influence and meetings with company and relevant stakeholders to discuss project E&S aspects, unless project is low risk;
- Assessing the project against IDB Invest Sustainability Policy requirements; and
- Preparing an E&S Review Summary (ESRS) describing the project's key impacts and mitigation measures and E&S Action Plan (ESAP) listing the actions required by the Client to reach compliance with IDB Invest E&S requirements.

## CONSULTATION AND DISCLOSURE

IDB Invest publicly discloses on its website the Investment Summary, ESRS and ESAP 30 days prior to IDB Invest Board approval. For high risk projects, the Client's E&S information is disclosed earlier in the process. The Client is expected to engage in stakeholder consultation commensurate to the level of project E&S risk, disclose relevant E&S information locally in the project area and maintain an ongoing dialogue with project-affected communities for project life.

## FINANCIAL CLOSURE AND DISBURSEMENT

The legal agreement includes standard E&S conditions and specific ESAP requirements tied to specific milestones. Prior to each disbursement, IDB Invest verifies E&S conditions and ESAP requirements for compliance.

## SUPERVISION MONITORING

The IDB Invest E&S Team supervises the Client's compliance with the E&S requirements and ESAP conditions on a regular basis. The Client produces an E&S Compliance Report (ESCR) annually on the status of the ESAP.

## DIALOGUE

IDB Invest's **Disclosure of Information Policy** specifies the release of corporate information to the public and reaffirms its commitment to transparency and accountability in all its activities. Project-related queries are best addressed through the Client's grievance mechanism. The project information and Client's contact is posted on IDB Invest website www.idbinvest.org/en/projects or contact divulgacionpublica@iadb.org

# The Business Case for Environmental and Social (E&S) Risk Management

**Businesses that implement sustainable practices and manage environmental and social risks responsibly are more likely to succeed.**

## IMPROVES FINANCIAL AND OPERATIONAL PERFORMANCE

**175 BASIS POINTS**

Optimizations in resource management, working conditions and corporate governance translate in cost savings and higher ROI.

The amount a portfolio of companies with strong ESG scores tends to outperform its benchmark.

## MINIMIZES LOSS

Early E&S considerations in investment decisions increase project resilience to the effects of climate change and reduce the risk of loss.

**$54 - 69 TRILLION**

The estimated price tag on the financial cost of climate change.

## PROTECTS BRAND VALUE AND REPUTATION

**15-30% INCREASE**

Good E&S performance by companies boosts their reputation and brand value.

In brand value when companies implement ESG practices.

## MAINTAINS A SOCIAL LICENSE TO OPERATE

Establishing constructive relationships, managing community impacts and promoting local benefits prevent opposition, generate support and maximize ROI.

**$20 MILLION/ WEEK**

Amount companies can save by avoiding social conflicts in infrastructure projects.

## ATTRACTS INVESTMENT

**44%**

Adhering to internationally recognized ESG criteria provides a seal of approval on sustainability and attracts new funding.

Amount that ESG assets under management have grown in last two years in US.

**IDB Invest**, the private sector institution of the Inter-American Development Bank (IDB) Group, is a multilateral development bank committed to supporting businesses in Latin America and the Caribbean. It finances sustainable enterprises and projects to achieve financial results that maximize economic, social and environmental development for the region. With a current portfolio of $11 billion under management across 362 projects in 22 countries, IDB Invest works across sectors to provide innovative financial solutions and advisory services that meet the evolving demands of its clients. **Visit www.idbinvest.org**

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