

Environmental and Social Review Summary (“ESRS”)

IDC Partnership Fund for Central America and the Caribbean / 15405-01

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction included a site visit to an investee company located in Guatemala, as well as an analysis of the Fund’s relevant processes, policies, and procedures, and its institutional capacity to manage environmental, social, and climate-related risks. Meetings were held in person with the Fund’s Manager (“Valante Capital”) team, as well as virtually, to discuss governance, organizational structure, the existing investment portfolio, and pipeline readiness, in alignment with IDB Invest E&S sustainability policy requirements.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction has been categorized as FI-2 in accordance with IDB Invest’s Environmental and Social Sustainability Policy, as the investments to be made by the Fund are expected to present moderate E&S risks.

The Fund’s investments will focus on mid-sized companies operating across Central America, the Caribbean, and the Andean region, primarily in the consumer and retail sectors, as well as in activities related to the food industry, which typically present a moderate level of E&S risk. The Fund’s average investment size ranges from approximately US\$5 million to US\$30 million. The Fund will not finance Category A subprojects (high risk), as defined by IDB Invest, nor any activities included on IDB Invest’s Exclusion List.

The transaction is considered aligned with the Paris Agreement, based on an analysis conducted in accordance with the IDB Group’s Paris Alignment Implementation Approach. The analysis considered the development of a procedure to be integrated into the Fund’s ESMS, with the aim of strengthening the management of physical climate risks across its investment portfolio.

- 3. Environmental and Social Risks and Impacts.** The main environmental and social risk associated with this transaction relates to the Fund’s ability to assess and manage the E&S risks and impacts arising from its investment activities, particularly those related to the food industry. These E&S risks and impacts may involve worker health and safety, labor rights, waste generation, community health and safety, climate change, land use change, risks associated with the primary supply chain, among others. The E&S risk level associated with the subprojects is considered moderate.
- 4. Mitigation Measures.** The Fund will develop and implement an Environmental and Social Management System (“ESMS”) under the Environmental and Social Action Plan (“ESAP”) described in section 5, with the support of external consultants. The ESMS will include an E&S policy, an exclusion list, processes and tools for E&S risk categorization, and procedures to manage E&S risks during the due diligence, structuring, and investment approval stages, as well as, to monitor such risks during the supervision phase. The ESMS will be developed in alignment with the guidance note of the International Finance Corporation (“IFC”) on financial intermediaries. In addition, the Fund Manager will develop a Human Resources policy incorporating principles of equal opportunity and non-discrimination, as well as a grievance mechanism for its employees.

The Fund will be required to ensure that all investments supported comply with the IDB Invest exclusions list, applicable local E&S laws, and the applicable IFC Performance Standards. Additionally, the Fund will appoint an E&S Officer to supervise and monitor the implementation of the ESMS, who must complete an online course on environmental and social risk management offered by IDB Invest. The Fund will also implement the ESAP described in Section 5.

5. Environmental and Social Action Plan (“ESAP”):

Activity	Description	Compliance Indicator	Deadline
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts			
Environmental and Social Management System (“ESMS”)			
1. E&S Assessment of Existing Portfolio Investments	Conduct an environmental and social risk and impact assessment for each of the existing investments in the portfolio, consistent with the IFC Performance Standards (“PS”), as applicable.	Reports or records of the results of the E&S risk and impact assessments	Prior to Capital Commitment Subscription (“CCS”)
2. E&S Management System	2.1 Develop an Environmental and Social Management System based on the IFC Guidance ¹ Note on Financial Intermediaries, with the support of an E&S consultant with experience in the design and implementation of ESMS in financial institutions and in the application of the IFC PS. The ESMS shall incorporate the verification of compliance with applicable local E&S regulations, as well as the IDB Invest Exclusion List, and include the application of the IFC Performance Standards. The ESMS shall focus on the identification, assessment, and management of E&S risks and impacts associated with the sectors and activities defined in the Fund’s investment strategy, including, among others: land-use change, waste generation, climate change, occupational health and safety, labor rights, primary supply chain and the application of international good practices in animal production. In addition, the E&S consultant shall include training for personnel involved in the implementation of the ESMS, including senior management, as well as support in conducting at least the first Environmental and Social Due Diligence (“ESDD”), jointly with the E&S Officer, within the framework of the ESMS.	i) First draft of the ESMS Manual ii) Approved ESMS Manual	i) Within 6 months after the CCS ii) Within 8 months after the CCS
	2.2 Implement the ESMS across all Fund investments: i) Submit the first three ESDD reports prepared after the development of the ESMS, to verify: the assigned E&S risk categorization; and the proposed E&S action plans. ii) Report on the implementation and performance of the ESMS.	i) Three ESDD reports ii) Evidence of implementation	i) Each time they are prepared ii) As part of the ESMR ²
Management Programs			
3. Climate Risk Management	Develop, document within the ESMS, and implement a procedure to identify and manage physical climate risks in investee companies.	i) Approved procedure ii) Evidence of implementation	i) Within 8 months after the CCS ii) As part of the ESMR
Organizational Capacity and Competency			
4. Capacity Building and Training	4.1 For new investments undertaken prior to the development and initial implementation of the ESMS, ESDDs shall be conducted with the support of an E&S consultant with experience in the application of the IFC PS.	i) Standard Terms of Reference (“ToR”) for external consultants ii) ESDD reports	i) Prior to SCC ii) Each time they are prepared
	4.2 Appoint a qualified and experienced E&S Officer to oversee the implementation of the ESMS, conduct ESDD, and supervise the implementation of E&S action plans for	Employment letter and CV of the E&S Officer	Within 6 months after SCC

¹ <https://www.ifc.org/en/insights-reports/2012/publications-policy-interpretationnote-fi>.

² ESMR means Environmental and Social Monitoring Report, which must be submitted regularly to IDB Invest.

	investments, as well as other E&S compliance and performance matters.		
	4.3 The Fund’s E&S Officer shall complete an online course on environmental and social risk management offered by IDB Invest.	Certificates of course completion	i) Within 12 months after SCC ii) As part of the ESMR, each time new personnel join the E&S team
External Communications Mechanism (“ECM”)			
5. External Communications Mechanism	Develop and implement a procedure for the receipt, review, recording, and response, as appropriate, to opinions, concerns, and requests for information from the public regarding E&S matters.	i) Approved procedure ii) Evidence of implementation	i) Within 6 months after SCC ii) As part of the ESMR
Performance Standard 2: Labor and Working Conditions			
Working Conditions and Management of Worker Relationship			
6. Human Resources Policies and Procedures	Develop and implement a Human Resources Policy consistent with IFC Performance Standard 2, including, among others, the following aspects: working conditions, non-discrimination, and equal opportunity.	i) Approved policy ii) Evidence of implementation	i) Within 6 months after SCC ii) As part of the ESMR
7. Grievance Mechanism	Establish and implement a grievance mechanism for employees that is accessible and confidential.	i) Approved policy ii) Evidence of implementation	i) Within 6 months after SCC ii) As part of the ESMR

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.