

Environmental and Social Review Summary (“ESRS”) LAC Gender, Diversity & Inclusion Fund / 14225-01 – Regional

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- 1. Scope of Environmental and Social Review.** The environmental and social review of the proposed transaction was carried out through desk research, phone calls with the client, and a portfolio review. BlueOrchard is an existing Fund Manager to IDB Invest (having previously participated in syndicated loans), with a focus in lending to microfinance and SME Financial Intermediaries (“FIs”). As such on-lending risks are generally considered low. BlueOrchard has developed a general Environmental and Social Governance (“ESG”) Framework that it applies in its investment practices.
- 2. Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 according to the IIC Sustainability Policy. BlueOrchard will use the funds to finance FIs across Latin America and the Caribbean (“LAC”) with a focus in microfinance and Small and Medium-Sized Enterprises (“SMEs”). The financing will target minority-led or owned Micro, Small and Medium-Sized Enterprises (“MSMEs”), women, indigenous and afro-descendant populations, as well as companies at the forefront of implementing diversity policies. The target borrowers will mainly be FIs. The average loan to MSMEs is expected to be US\$30,000 on average, and the average tenor expected to be 24-36 months.
- 3. Environmental and Social Risks and Impacts.** The Environmental and Social (“E&S”) risks are considered minimal given the proposed use of proceeds. The primary risk relates to the commitment and capacity of BlueOrchard, as the Fund Manager, and FI borrowers within the Fund to screen and manage for E&S risks associated with the end-beneficiaries. Under the requirements of BlueOrchard’s Environmental and Social Management System (“ESMS”), all FI borrowers will also have an ESMS to adequately manage underlying E&S risks.
- 4. Mitigation Measures.** BlueOrchard has a strong commitment to E&S management, which is consistent with the requirements defined in IIC’s Sustainability Policy. In the context of this Fund, BlueOrchard will apply its internal ESG and impact requirements, which include an ESG assessment, SPIRIT impact assessment and Sustainable Development Goals (“SDG”) mapping and alignment tool. Under a previous engagement, BlueOrchard has updated its ESMS to ensure that FIs are evaluated and assisted as necessary in implementing their own ESMS to adequately address any underlying E&S risks. All operations will include application of the IDB Exclusion List and local law as applicable. BlueOrchard will report annually on the E&S performance of the Fund and the FIs contained within.
- 5. Environmental and Social Action Plan (“ESAP”).** N/A
- 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.