

## Environmental and Social Review Summary (“ESRS”)

### Sygnus Capital Ltd. – Caribbean Community Resilience Fund / 14916-01 – Regional

**Original language of the document:** English  
**Issuance date:** July 2024

- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) review of the proposed transaction was carried out in May and June of 2024, through a desk review and a due diligence meeting with the Fund Manager. The assessment included an analysis of the Fund’s investment thesis, pipeline, and organizational setup. The Fund Manager is a leading alternative investment manager in the Caribbean and a new client of IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2 under IIC’s Sustainability Policy. Caribbean Community Resilience Fund (“CCRF” or “the Fund”) consists of a debt and an equity sub-fund and targets investments into projects and companies contributing to economic and climate resiliency in seven key sectors across various countries in the Caribbean region. IDB Invest funds will only be directed to projects within IDB Invest member countries, specifically The Bahamas, Barbados, Belize, the Dominican Republic, Guyana, Jamaica, Suriname, and Trinidad and Tobago. The target sectors are renewable energy, blue economy, sustainable housing, information and communications technology (“ICT”), transport, financial services, and climate-smart agriculture. The potential risks of the subprojects are considered low to moderate. Each individual investment is expected to be between US\$1 million and US\$5 million for debt investments and between US\$0.5 million and US\$5 million for equity investments, with a maximum sector exposure of 25% to 35%. Subprojects classified as Category A (high-risk), according to IDB Invest definition, and those included in sectors on IDB Invest’s Exclusion List will not be eligible for financing by the fund.

The project is considered aligned with the mitigation and adaptation goals of the Paris Agreement based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach (“PAIA”).

- 3. Environmental and Social Risks and Impacts.** The E&S risks of this transaction are related to Sygnus’ capacity to assess and manage the risks associated with its investments. Given the geographical and sector spread, the potential risks associated with its activities concern a variety of issues, including community impacts and relations, health, safety, and labor concerns, gender, diversity and inclusion, water and waste management, vulnerability to the impacts of climate change and natural disasters, and resource efficiency. The E&S risks related to the investments under the Fund will be identified and managed through the development and implementation of an Environmental and Social Management System (“ESMS”) described below.
- 4. Mitigation Measures.** 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 International Finance Corporation (“IFC”) Performance Standards (“IFC PSs”). These requirements will be reflected in the ESMS to be developed by the

Fund. The development and implementation of an ESMS are included in the Environmental and Social Action Plan (“ESAP”). The ESMS will include the Fund’s sustainability policy, IDB Invest exclusion list, procedures and process description, E&S categorization, implementation responsibilities, and guidelines for developing E&S action plans. Through the ESMS, Sygnus will implement the IFC PSs in all projects, and appoint internal responsibilities related to E&S, including at the C-suite and board level to ensure the implementation of the ESMS is supported by the adequate resources and organizational setup required.

The E&S professional appointed will be responsible for managing E&S risks and impacts associated with the Fund’s activities. The Fund’s E&S professional will liaise with consultants and serve as the contact point with clients on E&S matters. Furthermore, for moderate or moderate-high risk projects, the ESMS will stipulate the contracting of external consultants to assist in the E&S analysis and the development of E&S action plans. The E&S action plans will define corrective actions in line with the requirements laid out in the ESMS, as well as making recommendations specific to added value areas. These pertain to opportunities for cost reductions, income increases, reputation impacts, or risk exposure reduction that go beyond the immediate requirements. Project monitoring will be annual or more frequent for moderate or moderate-high risk projects and will include the potential for client visits.

The Fund will be required to submit the first three individual investments to IDB Invest with the purpose of: (i) confirming categorization; and (ii) reviewing and commenting on individual action plans. The Fund will undergo a comprehensive tailored training directed to its E&S and investment staff detailing the requirements of the ESMS, the implementation of IFC PSs, and the various roles and responsibilities. IDB Invest requires that the Fund develop and implement an External Communication Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.

Additional mitigation measures include the project’s inclusion of the Rocky Mountain Institute (“RMI”), to advise Sygnus on renewable energy and regulatory affairs. IDB Invest is also exploring the possibility of providing technical assistance to Sygnus, to support the process of planning and executing the implementation of the new Sustainability International Standards released by the International Sustainability Standards Board of the IFRS, focusing on S1 and S2 – Climate Change (“ISSB”) covering governance, strategy, products, communication, and monitoring. Finally, the Fund Manager is a member of the Global Impact Investing Network (“GIIN”), a global network of impact investors dedicated to increasing the scale and effectiveness of impact investments.

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

Item	Action	Deliverable	Completion Date
<b>PS1: Environmental and Social Management System (“ESMS”)</b>			
1	<p>Development of an ESMS by an external consultant paid for by the Fund. The ESMS should be designed in accordance with the IFC interpretation note for FIs and the specifics detailed in Performance Standard 1.</p> <p>The ESMS should cover:</p> <ul style="list-style-type: none"> <li>• IDB Invest’s Exclusion List.</li> <li>• Compliance with national environmental and social laws and regulations.</li> <li>• Risk categorization and supporting guidance.</li> <li>• Application of the IFC PSs and the World Bank Group EHS Guidelines for all equity investments and debt investments greater than 36 months tenor and US\$5 million in investment size.</li> <li>• Internal roles and responsibilities for E&amp;S risk and the implementation of the ESMS.</li> <li>• Climate risk identification and management procedures related to both transition and physical climate risks.</li> </ul>	<ol style="list-style-type: none"> <li>1. Terms of Reference for ESMS development</li> <li>2. First draft of ESMS</li> <li>3. Final ESMS</li> <li>4. Proof of ESMS implementation</li> </ol>	<ol style="list-style-type: none"> <li>1. Prior to first disbursement</li> <li>2. Within six months of first disbursement</li> <li>3. Within nine months of first disbursement</li> <li>4. As part of the first Environmental and Social Compliance Report (“ESCR”)</li> </ol>
2	<p>The Fund will submit for each sub-project at a pre-due diligence stage the E&amp;S pre-categorization and proposed due-diligence scope to IDB Invest. This remains in effect until further notice by IDB Invest, based on the client’s development of internal E&amp;S capacity.</p> <p>For the first three Category B or higher sub-projects, the Fund will provide in addition to the pre-categorization review the due diligence reports, proposed action plan, and any other related information for IDB Invest’s review prior to the Fund’s investment committee meeting.</p>	<ol style="list-style-type: none"> <li>1. E&amp;S pre-categorization and due-diligence scope for each operation</li> <li>2. Due diligence report and action plan for first three Category B or higher sub-projects</li> </ol>	<ol style="list-style-type: none"> <li>1. For every sub-project during the analysis of opportunities.</li> <li>2. For first three Category B or higher sub-projects</li> </ol>
3	<p>Conduct E&amp;S due diligence, with support of external E&amp;S consultants, for individual sub-projects classified as Category B. The Environmental &amp; Social Due Diligence (“ESDD”) should include an application of the IFC PSs, and where E&amp;S risks are identified, the development of a tailored E&amp;S action plan. The consultant and the fund’s E&amp;S responsible will negotiate with each sub-borrower the action plan and incorporate it into the legal agreement.</p>	<ol style="list-style-type: none"> <li>1. Terms of reference for external consultant</li> <li>2. Due diligence reports</li> </ol>	<ol style="list-style-type: none"> <li>1. Two months after first disbursement</li> <li>2. Every time a ESDD report becomes available for a Category B or higher project. This remains in effect until further notice by IDB Invest, based on the client’s development of internal E&amp;S capacity</li> </ol>
4	<p>Develop a system in accordance with the IFC PSs to register and process external complaints related to the Fund’s projects.</p>	<ol style="list-style-type: none"> <li>1. External Communication Mechanism draft</li> <li>2. Final External Communication Mechanism</li> </ol>	<ol style="list-style-type: none"> <li>1. Within six months of first disbursement</li> <li>2. Within nine months of first disbursement</li> </ol>

PS1: Capacity building and training			
5	Appoint E&S Manager responsible with experience and background to oversee the implementation of the ESMS and to be designated as the E&S focal point.	CV of E&S Manager with evidence of qualified experience.	Before first disbursement
6	Undertake with the support of a consultant a comprehensive training for its E&S and investment staff on the requirements of its ESMS, the implementation of the IFC PSs and the various E&S-related roles and responsibilities; ensure that all new personnel receive the same training.	Training materials, list of participants.	Within one year of first disbursement
PS1: Reporting			
7	Submit to IDB Invest annually a summary of all sub-investments, the status of their respective action plans, and any issues identified during monitoring. The report will be prepared by an external consultant with review from the Fund.	Environmental and Social Compliance Report ("ESCR")	Annually

- 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](mailto: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](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.