

Environmental and Social Review Summary (“ESRS”) EcoEnterprises Biodiversity and Climate Fund / 14524-01 – 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 desk research, meetings with the fund manager, and a portfolio review. EcoEnterprises is a new fund manager to IDB Invest client (having previously participated in IDB Lab financing), with a focus in lending to sustainable business throughout the LAC region. The Fund’s overarching thesis is E&S impact, and the manager has an extensive track-record in delivering on the same. The Fund and its approach to E&S risk management is considered largely aligned with the requirements of the IIC’s Sustainability Policy.
- 2. Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 according to the IIC Invest Sustainability Policy. EcoEnterprises will use the funds to invest in sustainable agribusiness companies that generate co-benefits as measured in terms of financial return and net positive impact to neighboring communities and the environment. The companies targeted are SMEs in size and investments range from US\$5-12 million on average with roughly a 5–7-year tenor. Category A sub-projects, per IDB Invest’s definition, will be excluded from the Fund’s financing. The project is considered Paris Agreement aligned based on an analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach.
- 3. Environmental and Social Risks and Impacts.** The E&S risks are considered moderate given the proposed use of proceeds. The primary risk relates to the commitment and capacity of EcoEnterprises, as the Fund Manager, to screen and manage for E&S risks associated with the end-beneficiaries. At the level of investee companies, E&S risks may be related to occupational health and safety, supply chains, land-use change, and pesticide/chemical use. EcoEnterprises will be required to manage these risks through the application of an Environmental and Social Management System (“ESMS”). As a component of the fund manager’s engagement, eligible sub-investments will likely demonstrate a positive contribution to biodiversity or sustainable use of natural resources
- 4. Mitigation Measures.** EcoEnterprises has a robust approach to E&S risk management, which is consistent with the requirements defined in IIC’s Sustainability Policy. As part of the Fund’s ESMS, it applies an Investment Policy and Procedures Manual, an E&S Guidelines and Criteria document, ESG risk rating and due diligence checklist process, an impact metrics tools, and a standardized monitoring process to include site visits. Additionally, the Fund applies the International Finance Corporation (“IFC”) Performance Standards (“PS”) and Environmental, Health, and Safety (“EHS”) guidelines in its due diligence process and in the context of defining according E&S action plans. Finally, it has incorporated climate risk management procedures where relevant as part of its due diligence process. In the context of this Fund, all operations will be reviewed against the ESMS and the IFC PS, as well as follow IDB Invest’s Exclusion List and local law. The Fund Manager will report annually on the E&S performance of the Fund and investments contained within. An action plan below defines concrete requirements to strengthen the E&S analysis undertaken particularly in regard to biodiversity, due diligence and action plan preparation, and overall Fund capacity.

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

Task	Description	Deliverable	Timeline
Biodiversity Risk and Disclosure	Through a consultancy, the Fund will work with a consultant to incorporate a Nature-Related Risk and Opportunity Management and Disclosure Framework (“TNFD”). The Fund will develop specific policies and procedures to, among others, screen for biodiversity-related risks and manage these accordingly, particularly in agribusiness investments. In this context, emphasis will be given to the requirement under IFC PS 6, and critical habitat loss (and related no-net loss).	Policies and procedures under TNFD incorporated into the Fund’s existing ESMS. Drafts and final versions of the policy and procedures share at major milestones of the consultancy for IDB Invest comment/review.	Draft material as available. Final material not later than 16 months after disbursement.
E&S Action Plans for (i) first two investments prior to advisory services consultancy; and (ii) second two investments following TNFD consultancy	The Fund will submit prior to its investment committee decision, the first two due diligence and E&S action plans. These reports, questionnaires and action plans will detail the E&S risks (including biodiversity) identified, the corresponding actions agreed with the investee companies, and the monitoring of these risks over the investment lifecycle. The reports and action plans will refer to applicable IFC PS. Emphasis will be given to contextual risk (community, labor, biodiversity, etc.) in light of the sensitive locations where some investments occur. Additionally, post implementation of the TNFD consultancy and corresponding screening / procedures upgrades, the Fund will submit the subsequent investments that incorporate this additional nature-related/biodiversity analysis.	Due diligence reports and action plans (with as needed support of external consultants).	Deliver material at least two weeks prior to Investment Committee. Related communication specific to ESAPs should be delivered earlier as feasible to review specific examples.
Continued Reporting with Emphasis on Monitoring of Investee ESAPs	The Fund will strengthen its monitoring of E&S risk issues identified by: a) Updating Limited Partners (“LPs”) during quarterly/bi-annual calls on ESAP performance, issues identified during monitoring, and any need for corrective actions; and b) Annual reporting to LPs on individual investee company ESAPs and related performance / pending items.	a) Continued reporting to LPs to specifically analyze ex-post investments to review E&S performance and on-going compliance and share insights during quarterly / biannual calls; and b) On an on-going basis.	Post disbursement and as noted.

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.