

Environmental and Social Review Summary (“ESRS”)

Blue like an Orange Sustainable Capital Latin America Fund II / 14806-01 – Regional

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1. Scope of Environmental and Social Review

The environmental and social (E&S) assessment of the proposed transaction consisted in reviewing documentation such as the Impact and Sustainability Policy, Human Rights Policy, screening forms, the Sub-Fund II’s indicative pipeline, and several conversations with BlaO’s management and Sustainability teams. While BlaO is a new client to IDB Invest its policies largely align to the requirements of IDB Invest’s Sustainability Policy.

2. Environmental and Social Categorization and Rationale

The Sub-Fund II will provide structured credit investments to identified companies that can generate a measurable positive environmental and social benefit. The target company investment will be on average US\$15 million and will be distributed across Tech Enabled Services, infrastructure, finance, and health, agriculture, and education sectors. The likely E&S impacts associated with the investments are moderate in nature. Therefore, per IDB Invest E&S Sustainability Policy, the Project has been categorized as FI-2 (medium risk).

Category A sub-projects, per IDB Invest’s definition, will be excluded for sub-investment.

The project is considered Paris Agreement aligned based on an analysis conducted following the IDB Group Paris Alignment Implementation Approach.

3. Environmental and Social Risks and Impacts

The main E&S risks of this project are associated with Sub-Fund II’s capacity to identify and manage the E&S risks related with its investment activities. The potential environmental, social, health and safety risks associated with its main financing activities are likely to be related to issues such as biodiversity impacts, occupational health and safety, labor issues, and pollution prevention, amongst others. BLAO will be required to have in place an Environmental and Social Management System (ESMS) to identify and manage the E&S risks of its portfolio. As a component of the Fund Manager’s engagement, eligible sub-loans will likely demonstrate a positive contribution to environmental and social issues.

4. Mitigation Measures

BlaO has a robust approach to environmental and social risk management, which is consistent with the requirements defined in IDB Invest’s Sustainability Policy. As part of the Sub-Fund II’s ESMS, it applies an Exclusion List, KYC and integrity checks, and through a series of tools identifies potential adverse E&S risks and impacts. The tools incorporated into its ESMS are derived from the Natural Capital Finance Alliance, UNEP’s Human Rights Guidance Tool, and the Sustainability Accounting Standard Board (SASB). The Sub-Fund II’s E&S team includes three full-time team members and training on E&S issues is provided to the wider Sub-Fund’s staff. Additionally, BlaO applies a categorization guide and due diligence involves external and independent E&S consultants. The due diligence process and action plan defined are based on the IFC Performance Standards and identify mitigating actions and implementation deadlines for any gaps identified. Biodiversity, climate risk, and human rights impacts form a regular part of the Sub-Fund II’s broader E&S due diligence.

As a sustainability fund, engagement is a fundamental component of the portfolio monitoring process whereby identified E&S risks and impact areas are reviewed annually with investee company senior management. Action plan review forms a regular part of the investment cycle with investee companies reporting annually on performance, common indicators, as well as company specific indicators. Companies are also required to report annually on their scope 1, 2, and 3 carbon footprints.

The Sub-Fund II will be required to comply with IDB Invest’s Exclusion List, applicable E&S local laws, and the IDB Invest Environmental and Social Sustainability Policy, including the IFC Performance Standards. The Sub-Fund II will not invest in Category A projects. The Sub-Fund II will maintain in place adequate E&S capacity for investee-company review and engage external consultants for technical E&S review with each investee company. BlaO will submit to IDB Invest the first three investments, action plans, and supporting documentation to assess the adequate review of investee companies against the IFC Performance Standards. The Sub-Fund II will also implement a grievance mechanism following IFC Performance Standard 1 to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.

5. Environmental and Social Action Plan

ITEM	TASK	ACTIVITY	DELIVERABLE	COMPLETION DATE
1	Exclusion of Category A	Enhance the ESMS to provide clear definition of what constitutes Category A projects, and the process for determining the Categorization through use of an independent consultant.	Revised Risk Strategy and Investment Policy – LATAM II with specific language / description to this effect. Enhanced ESMS	Before disbursement. 3 months after the disbursement date

ITEM	TASK	ACTIVITY	DELIVERABLE	COMPLETION DATE
2	Climate risk assessment in the due diligence process	Formalize and strengthen the level of climate risk analysis and management undertaken to identify potential physical climate risk exposure in the investments the Sub-Fund II undertakes and supervise during the life of each loan.	Revised "Request for Quote" for ESDD with clear guidance on physical climate risk analysis and management. Enhanced ESMS	Before disbursement 3 months after the disbursement date
3	Review the first three new Sub-Fund II's acquisitions	The Sub-Fund II will provide detailed E&S due diligence reports as prepared by external consultants of the first three acquisition (prior to investment), for IDB Invest to: (i) confirm E&S categorization and level of analysis undertaken, (ii) assess action plan as prepared, and (iii) ensure issues of climate and biodiversity risk form part of the review scope.	E&S due diligence reports for each acquisition	When available
4	Strengthening of labor risk assessment on the solar panels supply chain	Develop and implement a procedure to assess labor risks on the supply chain of solar panels in subprojects that incorporate photovoltaic systems	Updated Sector's Risks and AI Dashboard highlighting labor risks on the supply chain of solar panels. Guidelines to be shared with portfolio companies with actions monitored in the context of the ESAP	Before disbursement 3 months after the disbursement date
6	External Communication Mechanism	A procedure that includes methods to receive, register, screen and assess, track, respond to and act upon external inquires and complains from the public regarding the Sub-Fund II's investments.	New procedure accessible through BLAO's WebSite	3 months after the disbursement date

6. Contact Information For project inquiries, including environmental and social questions related to an IDBI transaction please contact the client (see **Investment Summary** tab), or IDBI using the email requestinformation@idbinvest.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.