

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

### Sygnus Bahamas SME Receivables Working Capital / The Bahamas - 15286-01

Original language of the document: English

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- 1. Scope of Environmental and Social Review.** The Environmental and Social (“E&S”) assessment of the proposed transaction involved reviewing the credit process and portfolio of Sygnus Credit Investments Ltd. (“SCI”), relevant documentation (policies, plans, and procedures), and communications with SCI representatives.
- 2. Environmental and Social Categorization and Rationale.** The proposed transaction is classified as FI-2 according to the IIC’s Environmental and Social Sustainability Policy. The financing will support the purchase of receivables from Small and Medium-Sized Enterprises (“SMEs”) in The Bahamas. The subprojects associated with SCI portfolio company investments are considered to have E&S risks ranging from low to moderate, considering, among other factors, its industry sector composition. Category A (High Risk) sub-projects, per IDB Invest’s definition, will be excluded from the transaction, as well as those sub-projects involving activities included in IDB Invest’s Exclusion List.

The SCI defines SMEs as enterprises with annual revenues ranging from US\$5 million to US\$35 million. The sub-loans granted to purchase receivables from SMEs will be short-term, with maturities up to 12 months, and an average amount of US\$2.5 million. The four most representative sectors in SCI portfolio are Financial (23.4%), Construction (21.6%), Infrastructure (10.9%), and Telecommunication Services (8.9%).

The transaction is considered aligned with the Paris Agreement, based on an analysis conducted following the IDB Group’s Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this transaction are related to SCI’s ability to assess and manage the risks associated with its financing activities, particularly in the construction sector. These E&S risks may be linked to workers’ health and safety, land-use changes, waste generation, community health and safety, labor rights, climate change, and others. The E&S risks of the subprojects are considered to be low to moderate.
- 4. Mitigation Measures.** SCI’s credit process includes verifying that all required local regulatory approvals are in place before granting final credit approval. In the 2<sup>nd</sup> semester of 2024, SCI with the support of an external consultant firm have started the development of an Environmental and Social Management System (“ESMS”) which will include an Environmental, Social, and Governance (“ESG”) Policy, objectives, responsibilities, and procedures for integrating E&S risk assessment into its investment process, among other components. The ESMS will also incorporate the application of the International Finance Corporation (“IFC”) Performance Standards (“PS”). Currently, the ESMS and ESG policy are still under development and pending approval by upper management. SCI has established human resources policies that integrate the principles of non-discrimination and equal opportunity, along with a grievance mechanism for its employees. SCI group has a total of 87 employees, 60% of them are women.

SCI shall implement an ESMS for all sub-loans within the asset class financed by IDB Invest, which will include, at a minimum, an E&S categorization procedure, and screening procedures of all sub-loans for compliance with applicable local E&S laws and the IDB Invest exclusion list, and procedures to implement the IFC PS, when applicable. Additionally, SCI will designate an E&S

officer to oversee the implementation of the ESMS. The designated officer will be required to complete an online training course on E&S risk management provided by IDB Invest.

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

Item No.	Activity	Description	Compliance indicator	Delivery date
1	ESMS Development and Implementation	Approval of the ESMS and ESG Policy, which will apply to all sub-loans within the asset class financed by IDB Invest. At a minimum, these shall include procedures for E&S categorization, screening of all sub-loans to ensure compliance with applicable local E&S laws and the IDB Invest exclusion list, and the application of the IFC PS for sub-loans with a size of US\$5 million or greater and tenor of 36 months or more.	Evidence of the Policy & ESMS approval by Upper Management	9 months after the disbursement
2		Implementation of the ESMS	Evidence of implementation	As part of the ESCR <sup>1</sup>
3		Conduct training sessions on the ESMS for all personnel involved in its implementation.	Evidence of training	9 months after the disbursement
4	Organizational Capacity	Designate an E&S Officer to oversee the ESMS implementation.	Designation Notice	6 months after the disbursement

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

<sup>1</sup> ESCR means the Environmental and Social Compliance Report, which is to be submitted to IDB Invest on a regular basis.