

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

### GoodKarma Impact Fund / 14651-01 – Brazil

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- 1. Scope of Environmental and Social Review:** The environmental and social (E&S) review of the proposed transaction consisted of a review of the Investment Process, Environmental and Social Management System (ESMS), Human Resources policies and procedures, and information on the investment portfolio and pipeline of Fundo de Investimento em Participações – Multiestratégia (“Good Karma Impact Fund”, the “Fund” or “GKF”), as well as conversations with the team of the Fund Manager.
- 2. Environmental and Social Categorization and Rationale:** The proposed transaction is classified as FI-2, in accordance with IDB Invest’s Environmental and Social Sustainability Policy since the associated E&S risks are considered moderate. The Fund focuses on supporting investments in three thematic areas: climate finance, healthcare, and education. These areas include the following sub-areas of investment: (i) Climate Finance: sustainable agriculture, climate adaptation, waste management and recycling, energy efficiency, renewable energy (biomass), raw materials switching, and others; (ii) Healthcare: access to health, chronic conditions, and data management & preventive treatment; and (iii) Education: productivity & training.

The Fund estimates to invest in 8 to 12 companies, with a ticket size between US\$5 to US\$30 million, and up to 10 years of tenure. Climate finance investments will meet IDB Invest’s eligibility criteria for climate and green financing. 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 transaction is considered Paris Agreement aligned based on the analysis conducted in accordance with the IDB Group Paris Alignment Implementation Approach. The analysis considered the Fund’s commitment to enhance its ESMS by including procedures to analyze climate risk in its portfolio.

- 3. Environmental and Social Risks and Impacts:** The main E&S risk of this transaction is associated with Fund’s capacity to identify and manage the E&S risks in relation with its investment activities, especially in subprojects of the climate finance area, where risks are associated to labor and working conditions, land use changes, physical climate risks, waste generation, among others. The E&S impacts and risks associated with the subprojects are considered moderate in nature.
- 4. Mitigation Measures.** The Fund has an Environmental, Social and Governance (ESG) and Impact Policy which describes the principles and investment strategy adopted by the fund, as well as the integration of ESG factors into the investment decision-making process. This policy is consistent with the UN Principles for Responsible Investment (PRI) and Operating Principles for Impact Management (OPIM). The Asset Manager of the Fund is signatory of both frameworks. Currently, the Fund has a basic ESMS that will be enhanced to fully align it with IDB Invest E&S Sustainability Policy. The Fund has a team member designated to manages ESG and Impact matters.

The Fund will ensure that all its investments comply with IDB Invest’s Exclusion List, local laws and regulations, the eligibility criteria established for the transaction and the IFC’s Performance Standards (as applicable). The Fund will enhance its ESMS in accordance with the environmental and social action plan (ESAP) plan detailed in section 5 and implement procedures to assess climate risks of its portfolio.

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

Item #	Reference	Action	Compliance Indicator/Deliverable	Completion Date
1	Environmental and Social Management System (ESMS)	Enhance the current ESMS to align it with IDB Invest requirements and IFC Performance Standard #1 and implement it across the entire investment portfolio. IFC Performance Standards will be applied in investment with ticket size equal or greater than US\$ 5 million.	i) Draft ESMS ii) Final ESMS	i) Three months after subscription date ii) Six months after subscription date
2		Provide the E&S due diligence reports of the first three investments done (with ticket size greater than US\$ 5 million) after the implementation of the enhanced ESMS to verify: (i) the E&S categorization and (ii) the proposed action plan.	ESDD Reports (including action plans)	When each of the three investment is generated
3	Climate risk management	Through the Technical Assistance, the Fund will develop procedures to identify and mitigate climate risk in its investment portfolio. These procedures will be fully integrated to the ESMS.	Approved procedure	Eight months after the subscription date
5	Organizational Capacity and Competency	Conduct E&S due diligence of higher risk Category B subprojects or those with potentially complex environmental and social components (i.e., biodiversity, social issues, etc.) through the support of external environmental and social consultants.	Terms of Reference for External Consultants	Three months after subscription date
6		Carry out comprehensive training sessions for the personnel in charge of implementing the ESMS (including members of the investment committee).	Training certificates or records.	Eight months after subscription date

**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.