

# The challenge that connects us

Sustainability Report 2022





# Welcome

A warm welcome to IDB Invest’s first Sustainability Report. It marks an important milestone in our organization’s development, and we are excited to invite all our stakeholders to see how central sustainability is to our purpose, values, and work. Throughout, we have included examples that demonstrate the positive impact we are having across our region.

We have developed the report with reference to the 2016 Global Reporting Initiative (GRI) standards. Unless otherwise noted, data refers to calendar year 2022, and dollar amounts are in U.S. dollars. We have chosen a structure that reflects the most important ways we are accelerating sustainable development.

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# A message from our Chairman of the Board of Executive Directors

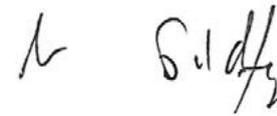
The IDB Group is the trusted partner of choice for Latin America and the Caribbean. As such, we have a responsibility to work effectively toward addressing the region's most pressing development needs, while promoting global public goods, including climate and biodiversity.

Drawing upon its extensive expertise in private sector development and operations, IDB Invest serves as a catalyst for positive change in Latin America and the Caribbean, providing value added to clients and society.

This report reflects IDB Invest's commitment to achieving effective results and to transparently disclosing them, while promoting sustainable business practices and high-impact development projects across the region. These aspirations and results are firmly rooted in the dedication to improving the lives of the people we serve and maximizing our impact, a shared accountability across the IDB Group.

The IDB Group will lean into its shared strengths through enhanced synergies to reduce poverty, tackle climate change, and foster shared prosperity across the region and beyond.

This first Sustainability Report by IDB Invest, is not only an interesting read for those who want to learn more about the institution, it also exemplifies how we walk the talk on many of the issues at the core of today's development agenda. This includes how we measure our impact and effectiveness, and how we converge environmental and social assessments along with gender and diversity. This is framed under the lens of private sector engagement and mobilization, a fundamental approach for our Group and the challenges ahead.



Sincerely,  
**Ilan Goldfajn,**  
Chairman of the Board of Directors



# A message from our CEO

This Sustainability report highlights how we work with industry partners and other stakeholders to promote sustainable development with positive impacts for end-beneficiaries. It is also part of our commitment to sharing information and being transparent about our priorities.

During a year marked by a waning pandemic, higher inflation, rising interest rates and extraordinary social, environmental, and governance (ESG) challenges, we provided crucial support to the region. We focused on adding value to companies and markets on areas such as ESG, climate, gender, diversity and inclusion (GDI), circularity, and digitalization.

At IDB Invest, we are at the forefront of developing innovative solutions and robust sustainability frameworks necessary to scale positive impact. The depth of our experience in Latin America and the Caribbean makes us the partner of choice for the region's private sector. Our technical teams are thought leaders who work enthusiastically to improve market standards and practices and disseminate knowledge on key topics.

While this report focuses on how we support the region, it also reflects our commitment to walk the talk. This is a key aspect of attracting and retaining top talent with diverse outlooks who are inspired to help the region.

Looking ahead, we see opportunities to further scale our impact, unlocking projects that address the region's most pressing development needs - narrowing investment gaps, driving climate adaptation and mitigation, promoting ESG best practices, expanding our presence in small island (S&I) countries and in priority areas such as the Amazon - while supporting the Sustainable Development Goals. We also see great potential in further positioning IDB Invest as the main connector between global and local investors, and between projects and end-beneficiaries.

In summary, we invite you to look at the different ways we work with our partners to promote environmental and social sustainability, to tackle the climate challenge, to show the value of diversity, to include disadvantaged groups, to promote better governance, and to mobilize resources and assistance to the region.



Sincerely,  
**James Scriven, CEO**



# About IDB Invest

As part of the Inter-American Development Bank (IDB) Group, we are committed to achieving economic growth and social inclusion in LAC by providing financing to private sector entities.

As the private sector arm of the IDB Group, IDB Invest's focus is on catalyzing the financing of projects that advance the sustainable economic, environmental, and social development of the region.

IDB Invest is the partner of choice for clients **across a wide range of strategic sectors** due to our deep knowledge of the region.

We tailor our solutions to our clients' specific industries and markets, providing:

- Financial solutions
- Mobilization of capital
- ESG risk management and value addition
- Advisory, capacity building, and technical assistance at client and market level
- Impact measurement and management support
- Knowledge and best practice sharing within and across industries

## HOW WE CREATE VALUE

We maximize development impact while maintaining financial sustainability and attracting private capital by:

Providing relevant financing across the region's infrastructure and energy, corporate, and financial institution segments.

Identifying environmentally sustainable and socially inclusive investment opportunities that support the SDGs, and mobilizing capital to maximize their impact.

Developing innovative financial instruments, such as thematic bonds, to attract new investors to the region and support sustainable, inclusive growth and long-term value creation.

Measuring and managing impact throughout the investment lifecycle.

Enhancing our clients' projects by sharing best practices, building capabilities, and transferring knowledge.

Facilitating knowledge sharing and connections across the industry to drive best practice, spur innovation, and mainstream sustainability and inclusion.

**IN FIGURES<sup>1</sup>**

IDB Invest is owned by its **48** member countries, **26** of which are in the Latin American and Caribbean region



**54%** of shares in the hands of member countries in Latin America and the Caribbean



**60+** years of experience in the region as the IDB Group

**\$41.8 billion**

in total activity (2016-2022)<sup>2</sup>

**\$18.6 billion**

in assets under management

**447**

projects in portfolio as of year end 2022

**Our impact, 2016-2022**

**638,000**

jobs supported

**168,000**

training beneficiaries

**4.8 million**

micro, small, and medium-sized enterprises (MSMEs) financed

**747,000**

women beneficiaries

**14.1 million**

tons of CO<sub>2</sub>e emissions avoided through investments

**6,100**

megawatts of renewable energy capacity installed



**447** employees



**28** offices across Latin America, the Caribbean, Asia, and Europe



**AAA, Aa1, AA+** rated by Fitch, Moody's, and Standard & Poor's, respectively

1. As of 31 December 2022.

2. Total Activity is Net Own Account Commitments plus Core Mobilization. Net Own-Account Commitments is defined as Gross Own-Account Commitments minus Unfunded Mobilization minus Asset Sales.

For information on IDB Invest's results and impact, see our 2022 [Development Effectiveness Overview](#) and the IDB Group's [Corporate Results Framework](#) and [SDGs](#) websites.

## SUSTAINABILITY AT IDB INVEST

Sustainability is central to what we do at IDB Invest and is a key component of economic development in LAC.

We believe that a sustainable business is one that considers the long-term viability and resilience of its operations – its impact on the environment and society is inherent in this. A sustainable business lowers the risk for investors and is more attractive to employees, customers, and communities.

We offer an integrated value proposition for private sector projects that meets our clients' needs while helping them embed sustainability into their strategy and operations. We promote sustainable finance at the market level, helping to grow the availability of sustainable finance for the region as a whole. See our [key financial solutions](#). We support businesses and projects to apply environmental, social, and governance (ESG)-related best practices, while our deep technical expertise supports companies to meet market demands and deliver on their strategic goals. We are committed to achieving the UN SDGs through private sector investments.

### Sustainability Framework

As a development finance institution, IDB Invest has an overall mandate to support the development of its regional developing member countries. ESG sustainability is central to this.

Our approach is underpinned by our Sustainability Framework and is embedded across the organization and embraced as a core value. The Framework consists of:

- Environmental and Social Sustainability Policy (2020), which includes the International Finance Corporation (IFC) Performance Standards (2012) and the World Bank Group's Environmental, Health, and Safety (EHS) Guidelines
- [IDB Invest Access to Information Policy \(2019\)](#)
- [Corporate Governance Development Framework](#)
- [Policy of the IDB Invest Independent Consultation and Investigation Mechanism \(MICI\) \(2015\)](#)
- IDB Invest Environmental and Social Exclusion List

The Framework is driven by a governance structure designed to ensure sustainable business practices are promoted among our clients. This approach is instilled into everything we do so that we are able to finance projects that support the sustainable economic, environmental, and social development of the region.

IDB Invest's highest governance body is the Board of Governors, composed of 26 government officials representing our regional member countries and 22 governors from other member countries. Each governor's vote is proportional to their country's paid-in capital at IDB Invest.

The Board of Governors meets annually, with special meetings as required. It delegates all responsibilities to the Board of Executive Directors, except for specific powers such as increasing capital and admitting new members. Composed of 13 members appointed by member countries, the Board of Executive Directors is responsible for overseeing the operations of IDB Invest and is supported by an Executive Committee, a Committee of the Board of Executive Directors, an Audit and Risk Oversight Committee, and a Special Ad Hoc Committee for Problem Projects.

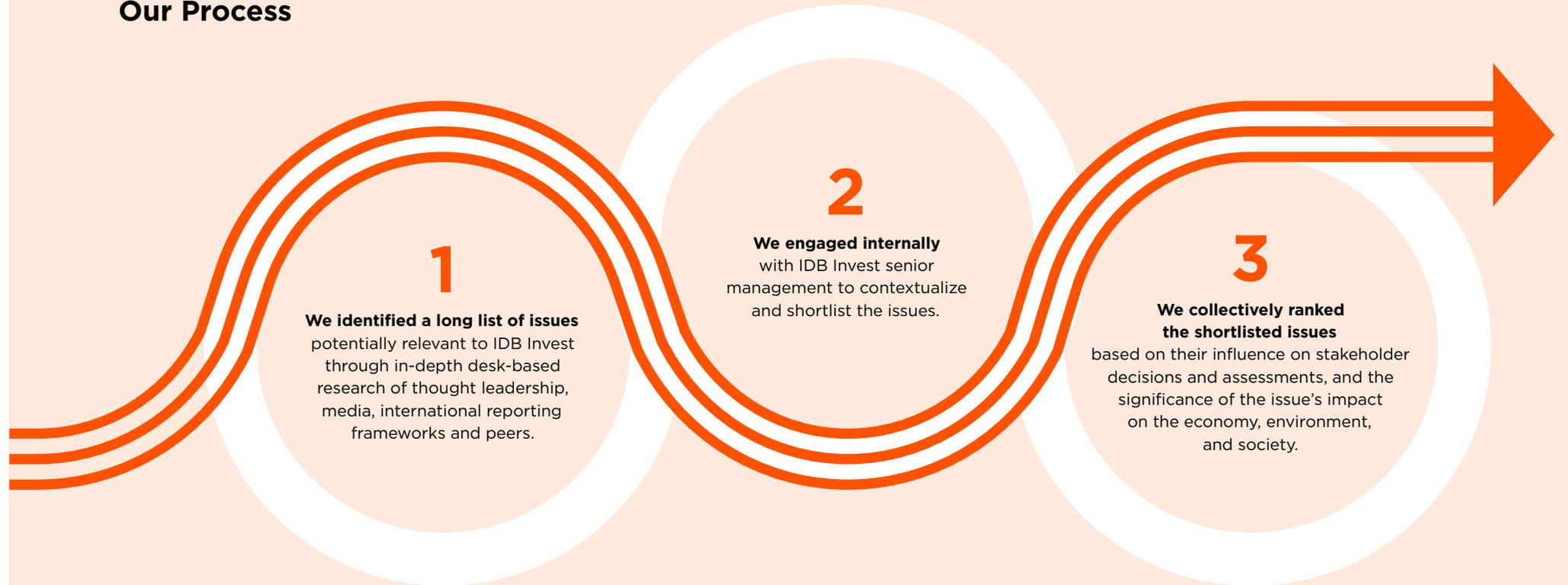


## OUR MATERIAL ISSUES

In 2022, we conducted an assessment to understand our material issues. This materiality assessment will allow us to focus our efforts on where we can generate the most impact.

The assessment was undertaken with internal stakeholders only. Over time, we plan to build and develop our materiality approach to gather input from external stakeholders. In the meantime, we welcome our stakeholders' comments and feedback.

### Our Process



# 1

**We identified a long list of issues** potentially relevant to IDB Invest through in-depth desk-based research of thought leadership, media, international reporting frameworks and peers.

# 2

**We engaged internally** with IDB Invest senior management to contextualize and shortlist the issues.

# 3

**We collectively ranked the shortlisted issues** based on their influence on stakeholder decisions and assessments, and the significance of the issue's impact on the economy, environment, and society.

### Our Material Issues

#### Governance and ethics

- Anti-corruption and ethics at IDB Invest
- Promoting transparent business practices in our client activities
- Responsible governance in investments in our client activities
- Responsible institutional governance at IDB Invest

#### Labor, health, and safety

- Labor, health, and safety in our client activities

#### Climate change

- Climate change impact of and on our client activities
- Clean energy transition through our client activities
- Climate change impact of and on IDB Invest

#### Diversity, equality, and inclusion

- Gender, equality, and diversity in our client activities
- Diversity, equality, and inclusion at IDB Invest

#### Mobilization

- Mobilization of resources for client activities

#### Biodiversity and natural resources

- Biodiversity, natural resources, and ecosystem protection in our client activities

#### Human rights

- Human rights in our client activities
- Land acquisition and involuntary resettlement through our client activities
- Affected communities' impact of our client activities

#### Pollution prevention and resource efficiency

- Pollution prevention and resource efficiency in our client activities

#### Human capital

- Human capital at IDB Invest

#### Inclusive growth

- Achieving inclusive growth and just transition through our client activities
- Financial inclusion through our client activities

#### Innovation

- Innovation through client activities
- Innovation within IDB Invest

## OUR SUSTAINABILITY GOALS

We believe that the ESG sustainability of the activities we support is central to achieving positive development outcomes – one of our strategic goals. This approach translates into sound business practice and can improve the long-term sustainability of businesses and projects by reducing negative impacts and generating goodwill and positive benefits in the communities where our clients operate.

To maintain our focus on development impact, we promote, target, and strategically select our operations. Our main sustainability-related corporate goals for 2022 include:

- 1.** 30% of our financing to support MSMEs' access to finance.
- 2.** 30% of our financing to foster green growth through climate finance.
- 3.** 30% of our transactions have a gender, diversity, and inclusion component.
- 4.** 10% of our financing for small and island countries.
- 5.** 40% of our portfolio in small and vulnerable countries, by 2025.





Partnering with clients for progress

# INVESTING IN SUSTAINABILITY: OUR APPROACH

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## MOBILIZING RESOURCES FOR IMPACT

At IDB Invest, our mission is to use capital to support sustainable development in our region. We believe that we are most effective at generating impact when we play an active role as an intermediary in financial markets.

We work to incite change in areas often overlooked in emerging markets by committing our own funds to development projects, and using them as a foundation to attract other lenders and structuring investments in a way that works for them. This makes more financing available for our clients and enables us to generate a greater impact in the region. We connect investors looking to share in the region’s growth with new and exciting opportunities in sectors such as infrastructure, agribusiness, or tourism, among many others.

Our expertise is in putting together the right projects with the right investors to suit different time horizons, sector priorities, appetites for risk, and expectations of returns. We provide several financial solutions such as loans, bonds, and credit guarantees while working with a range of organizations across the financial sector.

### Our key financial solutions

Across our range of financial solutions, we give our clients the tools they need for sustainable growth.

<b>Loans</b> 	<b>Guarantees</b> 	<b>Equity &amp; mezzanine</b> 	<b>Resource mobilization</b> 
<p>IDB Invest offers loans at market-based rates, in U.S. dollars or selected local currencies, with tenors aligned with the client’s objectives. The terms are flexible, and the conditions are based on the client’s needs and/or investment or project’s requirements.</p>	<p>IDB Invest issues guarantees under different structures to enable its clients to finance projects, obtain access to trade finance or capital markets, or enhance the working capital of their supply chains. IDB Invest also offers risk-sharing facilities or loss-sharing arrangements, which allow clients to reduce risks while expanding their products and services.</p>	<p>IDB Invest offers equity and mezzanine investments, such as loans with conversion or income participation features, subordinated loans, preferred and common equity, warrants, and limited partnership interests to support companies in expanding their operations. IDB Invest can also add value to investee companies through board participation and advisory services, as well as by improving environmental, social, and governance standards and crowding-in additional investors.</p>	<p>IDB Invest provides clients access to larger financing packages by linking clients and investors, engaging with various market players such as international and regional commercial banks, institutional investors, impact investors, and sovereign wealth funds. IDB Invest mobilizes financing in various forms such as co-financing arrangements, unfunded products, and guarantees of debt instruments. It also structures transactions to include B Bonds for institutional investors.</p>
<b>Capital markets</b> 	<b>Supply chain finance</b> 	<b>Blended finance</b> 	<b>Trade finance</b> 
<p>IDB Invest structures and subscribes debt securities such as bonds and notes from clients and has developed a strong market position by supporting the issuance of thematic bonds (e.g., green, social, and sustainable), as well as sustainability-linked bonds.</p>	<p>IDB Invest’s supply chain products address the needs of buyers and sellers by offering a comprehensive set of financial solutions for every stage of a client’s value chain, including accounts payable financing (reverse factoring) and accounts receivable finance (factoring).</p>	<p>Through blended finance solutions, IDB Invest is the main conduit for deploying concessional financing in the region for high-impact development-related investments where risks are too high for commercial finance alone. IDB Invest provides financial flexibility through a range of solutions such as performance grants, equity, and debt and risk mitigation instruments. It also offers advice and investment management solutions to providers and recipients of concessional finance in the region.</p>	<p>IDB Invest supports clients’ local and international trade activities through a range of solutions including pre-export finance, import and export finance, stand-by letters of credit (SBLC), and trade-related working capital liquidity lines.</p> <p>Through its <b>Trade Finance Facilitation Program</b>, IDB Invest offers (i) credit guarantees issued in favor of confirming banks to cover the commercial and political risks they assume on accepting eligible trade instruments issued by issuing banks in the region; and (ii) loans to borrowers in the region to finance their international trade portfolio, for which IDB Invest may also mobilize third-party capital.</p>



### Investing in Reversing

The pandemic left a deep mark on LAC, reversing the region's hard-won gains on poverty reduction and other critical development indicators.

According to the International Monetary Fund (IMF), the region's gross domestic product (GDP) fell 7% in 2020 – more than double the world average – and although a recovery is expected, the health emergency has exacerbated problems such as decreased productivity, low investment, inequality, informality, and poverty.

We have an immense opportunity to reset and rebuild our societies and markets to become better than they were before. Our region deserves a green and inclusive recovery, with fewer disparities between rural and urban areas, where everyone has a place and there is a true commitment to the responsible use of natural resources.

Our work is shaped by the idea of Investing in Reversing. This promotes a focus on using our funds and private sector investment to reduce emissions and mitigate climate-related impacts, protect biodiversity and natural resources, tackle and reduce inequality, and promote development and prosperous communities.

This comes at a time when the amount of global assets under management is higher than ever with a growing interest among investors in ESG financing. We have responded to this demand by developing innovative products to attract private capital, resulting in an increase in mobilization from \$478 million in 2016 to an average of \$2 billion per year between 2020 and 2022, demonstrating a model for mobilization, a key component of modern development finance.



### Driving sustainable finance through thematic bonds

Tapping into capital markets is critical for achieving a sustainable economic transition. We apply a different perspective, seeking to find sustainable solutions that benefit society and nature. These include green, social, and sustainability bonds, which allocate proceeds to investments with environmental or social benefits, and sustainability-linked bonds where bond issuers pledge to improve their social and environmental performance against targets.

IDB Invest has been a leader in this area, supporting and structuring over 30 of these new instruments in Argentina, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Peru, Trinidad and Tobago, and Uruguay. Some of these were the first

of their kind, such as Davivienda's gender-linked bond, which expanded the bank's loan portfolio of women-led small and medium-sized enterprises (SMEs).

In total, the IDB Group has supported more than 30% of all social, sustainable, sustainability-linked, and green bonds issued in the region. We have also launched the Green Bond Transparency Platform, jointly with the IDB. The platform has supported the harmonization and standardization of green bond reporting, providing investors with a greater level of confidence that the green bond proceeds are properly applied and that investment's impacts are adequately measured. This guards against greenwashing by revealing the impact of the bonds. This platform covers about 80% of LAC's growing green bond market and has supported the public and private sectors to generate about \$30 billion in green and sustainability-linked bonds.

## Funding for impact: our Sustainable Debt Framework

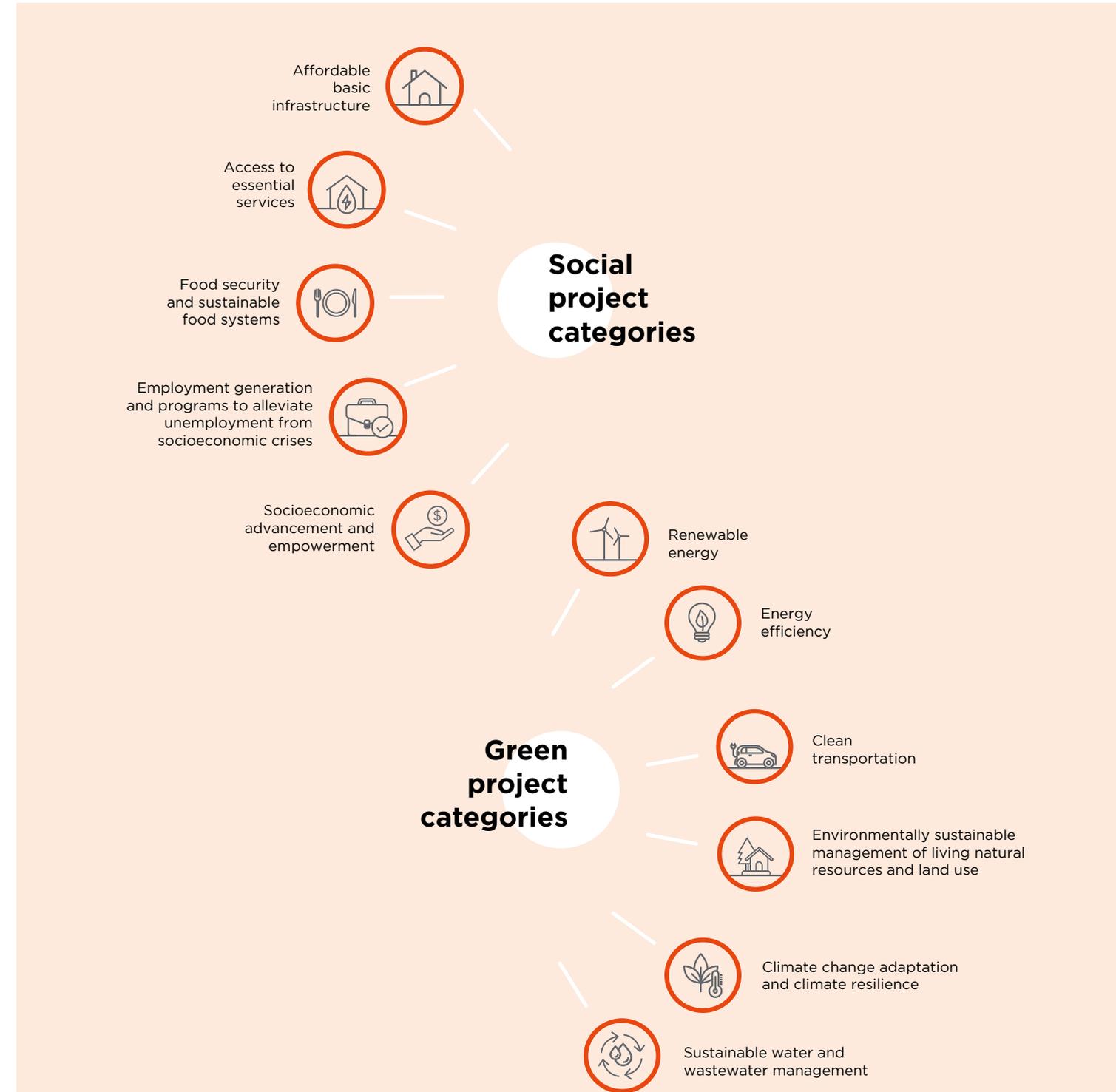
We established our **Sustainable Debt Framework** in 2021 as a key element of our funding strategy to enable the achievement of our sustainability goals by issuing green, social, and sustainability debt. Projects financed by IDB Invest’s sustainable bonds are mapped to 11 distinct environmental and social categories reflecting key areas of IDB Invest’s development mandate.

The Sustainable Debt Framework is aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines published by the International Capital Markets Association (ICMA). Furthermore, it was awarded the highest score for its contribution to sustainability by Vigeo Eiris, a subsidiary of Moody’s ESG solutions.

In 2022, IDB Invest issued \$2.1 billion of sustainable bonds (after \$1.6 billion in 2021), over 85% of its total issuance. Our sustainable debt issuances included our first Silver Economy Social Bond to support financial inclusion of senior citizens in LAC, which received a “Top Deal” award by CMD Portal. It also included two blue bonds to promote the sustainable use of water resources and ocean conservancy in the region, a Global USD Benchmark Sustainability Bond, EUR Benchmark Social Bond, AUD Benchmark Green Bond, MXN Benchmark Social Bond, as well as other innovative green and social bonds.

Becoming a thematic bond issuer conveys our commitment to sustainable development, increases transparency for the investor community, and further strengthens our leadership position in the thematic bond market in LAC.

2022 also saw us publish our first **Sustainable Bond Allocation and Impact Report** for the sustainable bonds issued in 2021, and an **external review of the report** confirming the allocation of funds to eligible projects was conducted by Sustainalytics.



## MEASURING AND MANAGING OUR IMPACT

As interest in sustainable and impact investing has surged in recent years, so has the push for greater transparency and integrity in how investors and companies measure and report on impact.

At IDB Invest, we do this through our end-to-end Impact Management Framework, which includes a series of tools and practices to support the full investment lifecycle from origination and structuring to monitoring, evaluation, learning, and knowledge sharing. It allows us to build, measure, and manage a portfolio of financially sustainable investments that maximize development impact and contribute to reaching the SDGs in the region.

Our framework is fully aligned with leading global initiatives such as the Operating Principles for Impact Management, of which IDB Invest is a founding signatory and a member of the Advisory Board, and the OECD-UNDP Impact Standards for Financing Sustainable Development, as well as the Impact Management Project's five dimensions of impact.

As a signatory to the Impact Principles, IDB Invest **annually discloses** how our impact management systems align with the Principles and, at regular intervals, arranges for independent verification of this alignment.

See our report [Managing a Portfolio for Impact](#) for more detail about our framework.

### Our Impact Management Framework



- DELTA** Development Effectiveness Learning, Tracking, and Assessment System
- FCR** Financial Contribution Rating
- ASR** Annual Supervision Report
- XSR** Expanded Supervision Report
- IEs** Impact Evaluations
- DEO** Development Effectiveness Overview
- DEA** Development Effectiveness Analytics Platform

Our end-to-end approach allows us to build, measure, and manage a portfolio of financially sustainable investments that maximize impact.

## Assessing and monitoring impact with the DELTA

The cornerstone of our Impact Management Framework is the DELTA (Development Effectiveness Learning, Tracking, and Assessment) tool – a rigorous, fact-based scoring system that assesses the expected impact of each investment and tracks results achieved over time. Four key elements are embedded within the DELTA score calculated for each investment:

- An approximation of the **economic and social rate of return**, which factors in both potential benefits and costs to society
- A **stakeholder analysis** to assess who will benefit and how, and ensure that the most important direct and indirect effects are considered
- A **sustainability assessment** to ensure that the investment is financially sustainable and meets our ESG requirements
- An **additionality assessment** to ensure that we provide financing beyond what is available in the market, without crowding out, and when needed, offer advisory services or knowledge to strengthen investments and build client capacity for long-term sustainability

ESG considerations are factored into the DELTA score from both a risk and opportunity perspective. From the risk management side, the score considers the extent to which the project meets, or is expected to meet, our ESG requirements. On the opportunity side, the score factors in any advisory services provided by IDB Invest to enhance client capacity and long-term sustainability in areas such as environmental and social practices, gender equality, climate, and corporate governance.

The DELTA score is a key decision-making factor in IDB Invest’s portfolio approach, together with our Financial Contribution Rating, which assesses each transaction’s contribution to IDB Invest’s long-term financial sustainability. Investments need to meet certain impact and financial rating thresholds to be eligible for financing.

Beyond the approval stage, the DELTA is used throughout the operation lifecycle. Once an investment is in our portfolio, the DELTA score is updated annually based on performance against achieving impact targets, including contributions to specific SDG targets.



### Embedding environmental and social standards into Paraguay’s infrastructure development

In Paraguay, IDB Invest supported a project to expand National Routes 2 and 7, which carry 80% of national cargo. This initiative was seen as essential for the development of industry and commerce in the country by improving the connection of the Atlantic and Pacific coastlines. While these routes do not intersect any protected areas, they do areas of high population density. Their development required the resettlement of around 1,300 SMEs whose main customers were road users and local communities.

IDB Invest identified gaps between the government’s proposed Resettlement Plan and our Environmental and Social Sustainability Policy. As a result, we required a Complementary Resettlement Plan to be developed. This Plan ensured that 40 merchants historically settled on route margins were moved to purpose-built facilities, local indigenous communities were satisfactorily engaged throughout the process, and a robust complaints and claims system was established. In addition, the project adopted the same environmental and social requirements for sections of the road not financed by IDB Invest.



## IDENTIFYING ESG RISKS AND OPPORTUNITIES IN INVESTMENTS

As a multilateral development bank, we have an obligation to invest responsibly following international best practices, disclosing information about our work, and allocating our resources to operations that leverage the highest development impact.

The ESG appraisal of the activities we support is central to our strategic goal of positive development outcomes. We believe that prudent management of ESG risks and impacts is a sound business practice that improves the long-term sustainability of businesses and projects. We have a robust and defined process for conducting due diligence; each project considered for investment must first be assessed for potential ESG risks, impacts, and opportunities for value add, as well as compliance with host country laws and regulations. We conducted ESG due diligence for more than 80 new projects in 2022, as a means of identifying value-add opportunities and managing ESG risks.

The expected overall outcome is that projects should result in no net ESG harm, and ideally net positive gain. To achieve this, our risk management framework is based on a comprehensive set of factors that should be considered in different project settings. Risk factors include potential adverse impacts that projects may cause or contribute to, such as displacement of local populations or degradation of the natural environment. They also include contextual risk factors such as existing vulnerabilities among affected communities, weak corporate governance, weak local institutions, sensitivity to natural disaster and climate change impacts, sensitive biodiversity areas, or fragility, conflict, and violence.

Our management system for ESG risk is dynamic and evolving. There are always new lessons to reflect on and incorporate into the ways we handle environmental and social issues, both internally and in our requirements and guidance for clients.

In addition, IDB Invest also conducts portfolio analysis to identify trends and recurring issues that feed into lessons learned of the overall ESG risks and management in investments.

### IDB Invest's ESG review process



## ENVIRONMENTAL AND SOCIAL SUSTAINABILITY POLICY

Our E&S assessment uses a mitigation hierarchy approach whereby clients should avoid, minimize, or manage environmental, social, and health and safety risks and impacts. The **IDB Invest Environmental and Social Sustainability Policy (ESSP)** – and its accompanying **Implementation Manual** – is designed to enhance the sustainability of financed projects by applying robust risk management standards. IDB Invest strives to ensure, through its appraisal and supervision process, that projects selected for investment and technical assistance are environmentally and socially sustainable and have the adequate governance structures, and are designed, structured, and implemented to meet the standards referred to and established in the policy.

As well as our own commitments, the ESSP addresses:

- Our clients’ responsibilities.
- IDB Invest’s roles and responsibilities during environmental and social appraisal and supervision.
- Collaboration and liaison with public and private sector partners.
- Corporate governance of projects.
- Independent consultation and investigation mechanism.

The ESSP includes specific areas of focus including:

- Pollution prevention, resource efficiency, climate change adaptation and mitigation, and low carbon development.
- Issues related to human rights, stakeholder engagement, grievance mechanisms, gender risk, indigenous peoples and vulnerable groups, persons with disabilities, labor, health and safety, land acquisition and involuntary resettlement, and cultural heritage.

As part of our ESSP, IDB Invest also requires its clients to comply with the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC)<sup>3</sup> as well as the World Bank/IFC, including both General EHS guidelines and Industry Sector EHS Guidelines.

### Oversight of our investment projects

We monitor the ESG performance of our investments – including in relation to human rights – as a key part of our portfolio management program. For each project, we agree on a regular program of supervision, including:

- Review of our client’s Annual Environmental and Social Monitoring Report.
- Review of performance against the ESG conditions for the investment.
- Where relevant, the identification of opportunities for our client to improve their ESG performance and implement additional corrective actions.
- Site visits, when needed according to the level of ESG risk.

### Engaging our stakeholders

In each of the 26 country offices in the region, the IDB Group has a single country representative for both the public and private sectors, coordinating work between IDB Invest and the IDB Group; this includes country-based coordination on stakeholder engagement with clients and civil society through our local civil society liaisons.

At the institutional level, the Group seeks to harmonize policies, develop common approaches, and share lessons learned and good practice through generation and dissemination of knowledge. For example, in 2019, we participated in the co-publication of a good practice note on **Meaningful Stakeholder Engagement**.

IDB Invest also benefits from engagement with other stakeholder groups, including those from civil society and academia. For example, we conducted a consultation around our recently updated ESSP, receiving comments from numerous stakeholders including clients, Civil Society Organizations (CSOs), consultants, and academics. This engagement contributed to improving the policy and helped to generate shared understanding on sustainability issues.



3. The IFC’s Performance Standards apply to IDB Invest’s direct investment clients. IDB Invest’s financial intermediary clients are required to apply the Performance Standards to the higher risk subprojects they support including avoidance of potential impacts on, and undesired contact with, indigenous peoples “in voluntary isolation” or “in initial contact.”

## IDB Invest Environmental and Social Exclusion List

We are committed to our strategic goal of positive development outcomes. As such, IDB Invest does not knowingly finance, either directly or indirectly through financial institutions, any project involved in the production, trade, or use of the products, substances, or activities included in our Environmental and Social Exclusion List. See our [Environmental and Social Exclusion List](#).

## Advancing and protecting human rights

We are fully committed to helping advance human rights and seeking collaborative action to prevent deepening poverty, rising inequalities, structural and entrenched discrimination, and other issues related to human rights protection. We advance human rights by investing in sectors that are key to development and environmental and social progress such as energy, agribusiness and food security, social infrastructure, and others.

Our commitment to human rights is also an integral part of our ESG risk management framework. Through all our investments, we strive to uphold international best practice. We **renewed our commitment to standing up for human rights** by incorporating our clear commitment into our ESSP. The policy includes a focus on fostering full respect for the human rights, dignity, aspirations, culture, and livelihoods of indigenous peoples, Afro-descendants, and other vulnerable groups. In line with this policy, we require our clients to implement methods to assess potential human rights risks and impacts, to respect human rights, and to address adverse human rights risks and impacts. Our ESG specialists work to identify key human rights risks and impacts, defining client requirements and responsibilities, and reviewing the human rights performance over the life of the loan.

Our Access to Information Policy also commits us to publish clear and accurate information on our projects prior to approval of financing, so that stakeholders including those potentially affected by a project can comment and make suggestions to improve the project. We require clients to engage with stakeholders, and we are committed to protecting the identity of information requesters, whistleblowers, and human rights defenders to avoid any type of retaliation.



## Impact on affected communities

Community engagement is a key element to enhancing the ESG sustainability of investments. IDB Invest promotes open, transparent, and inclusive engagement between clients and stakeholders – particularly in affected communities – to create respectful, good-faith, and two-way dialogue between project sponsors and affected or interested stakeholders.

Meaningful engagement with local communities directly affected by the project is an ongoing and iterative part of the project cycle that should start as early as possible.

We require our clients to:

- Carry out stakeholder identification, mapping, and analysis.
- Implement a stakeholder engagement plan.
- Disclose information about potential risks and impacts that might disproportionately affect vulnerable and disadvantaged groups and describe what measures are being taken to avoid and minimize them.
- Set up a community grievance mechanism.



### Implementing good environmental, social, and governance principles in Brazil

In Brazil, IDB Invest financed the expansion of the Itapoá Container Port Terminal, helping the company adapt to changing market conditions and more efficiently serve the region. The project funded new equipment, the expansion of the container yard, and the improvement of the dock, increasing container handling capacity from approximately 500,000 twenty-foot equivalent units (TEU) to 1.2 million.

Through the project, we supported Itapoá to adopt sound environmental and social standards, including the monitoring of emissions and energy consumption and improvements to the wastewater treatment plant. We also required the company to address impacts on fishers and nearby residents through a transparent and participatory

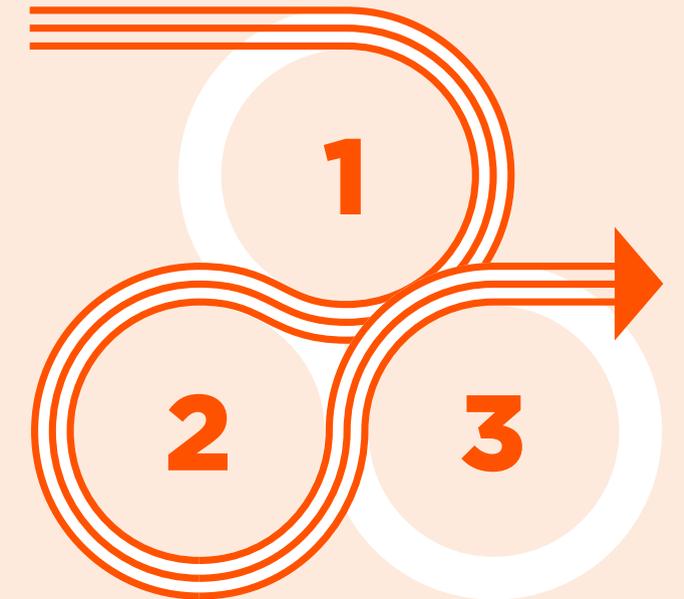
stakeholder engagement process. This resulted in collective compensation for 158 fishers, a resettlement plan consisting of new houses, and a livelihood restoration plan for 60 families affected by the noise of the project.

A corporate governance action plan was also implemented, allowing the company to transition to a more sophisticated framework, with more independent directors, new charters and committees, and more robust internal controls supported by a new internal audit unit, risk management policy, and enhanced compliance program.

In addition, the project promoted gender equality by hiring and training women for roles traditionally held by men.



## Why is it important to build meaningful stakeholder engagement?



1. It is the basis for constructive relationships with local communities and other groups who may be affected by a project, or who have an interest in it.
2. It helps to identify vulnerable groups, especially those:
  - Disproportionately affected by the project
  - With limited access to benefits from project opportunities
3. It is an essential information tool to harness local knowledge and perspectives that should be considered in the project.

See our [Engaging with communities and other stakeholders](#) factsheet.

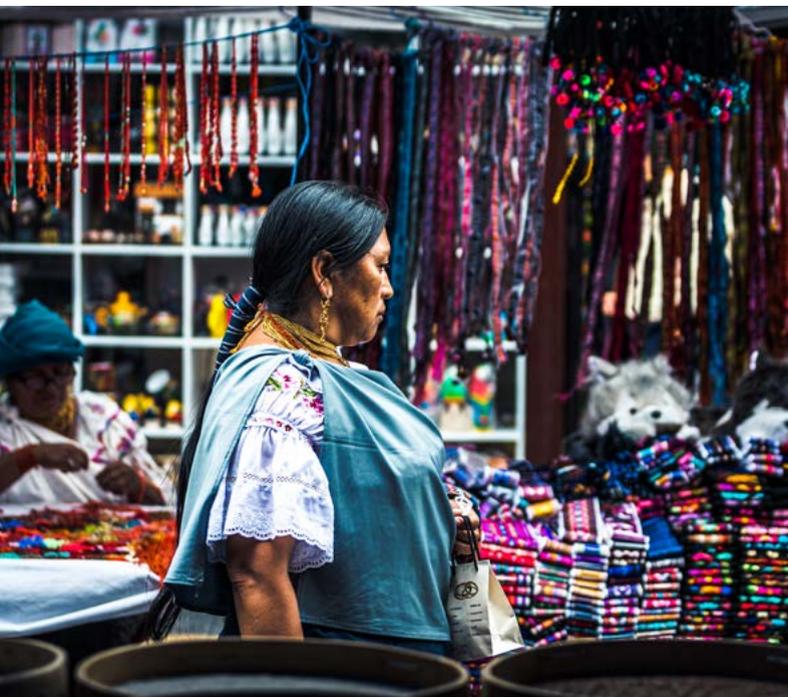
**Implementing grievance mechanisms**

A project-level grievance mechanism helps companies and stakeholders identify potential issues of concern to local communities, and to participate together in developing a solution.

To guarantee such a channel, IDB Invest requires all clients to establish a grievance mechanism to address concerns about the project's E&S performance. Individuals or communities can contact the client through its grievance mechanism first to request project-related information or present complaints.

We have zero tolerance for any form of reprisal or retaliation against those who voice their opinion or opposition to IDB Invest-financed projects. For more information, see our [statement on reprisals](#). We take any allegation of reprisals seriously, following up directly with our client and relevant third parties.

See our [Projects site](#) for specific contact information.



**Land acquisition and involuntary resettlement**

We encourage all clients to:

- Avoid or minimize displacement by exploring alternative project designs and avoid forced eviction.
- Avoid or minimize adverse social and economic impacts from land acquisition or restrictions on land use by providing compensation and ensuring that resettlement activities are implemented with appropriate consultation and engagement.
- Improve, or restore, the livelihoods and standards of living of displaced persons.
- Improve living conditions among physically displaced persons through adequate housing with security of tenure at resettlement sites.

**Protecting cultural heritage**

We are committed to the preservation of cultural heritage, including intangible forms of culture such as the traditional knowledge of indigenous peoples. We require our clients to protect cultural heritage from the adverse impacts of project activities, support its preservation, and promote the equitable sharing of benefits from the use of cultural heritage.



**Building community support through enhanced consultation**

In today's hyper-connected world, citizens consider access to information a fundamental right, directly addressing policymakers and viewing advocacy as an effective tool to protect and promote their interests.

Some organizations perceive this enhanced activism as an obstacle to the design and implementation of sustainable policies and projects. However, at IDB Invest, our experience tells us that engaged stakeholders provide critical information in helping to solve major development challenges. In the Porto de Sergipe, a gas-fired thermopower project in Brazil, engagement with the Cajueiro community turned out to be essential in transforming opposition

into project support, as well as for the development of a participatory involuntary resettlement plan.

The Cajueiro community lived across the project site, and they had no legal ownership over this land. Through the engagement and consultation process involving the community, the client, and public authorities, it was possible to develop an agreed resettlement framework involving the selection of the site, typologies of the homes, and economic restoration activities, which resulted in an improvement in their quality of life, as 75 families were resettled to a new area built by the project. A livelihood restoration plan is also being implemented to support the families as they adapt to their new homes.



## EMBEDDING RESPONSIBLE GOVERNANCE INTO FINANCING

Our goal is to help our clients become purposeful leaders in their markets. Doing so allows them to contribute to a local culture of good corporate governance, valuing subjects such as transparency, ethics and integrity, equitable treatment, corporate accountability, and long-term sustainability.

Effective corporate governance has long been associated with investor confidence, leading to improved trust in the markets, greater access to financing and reduced cost of capital, effective resource stewardship, and improved organizational resilience and performance. It is, therefore, an essential element of sustainable development and of vital importance for encouraging capital mobilization.

We embed corporate governance analysis in every transaction to assist in selectivity and ensure that funds are invested in clients who share values and goals, operate with integrity, environmental and social responsibility, and contribute positively to society. The assessment considers five key governance attributes that help frame the development of corporate governance action plans that are tailored and fit for purpose, allowing for flexibility and an approach that is proportionate to each client's characteristics and market.

These attributes are:

- Company's purpose, values, and commitment to good governance
- Corporate ownership and shareholders' rights
- Board of Directors structure and effectiveness
- Control functions: internal controls, risk governance, compliance, internal and external audit
- Disclosure and transparency

We also arrange and coordinate specialized initiatives that promote the adoption of transparency and good corporate governance practices in selected companies and markets, including by providing technical assistance and developing knowledge and trainings.

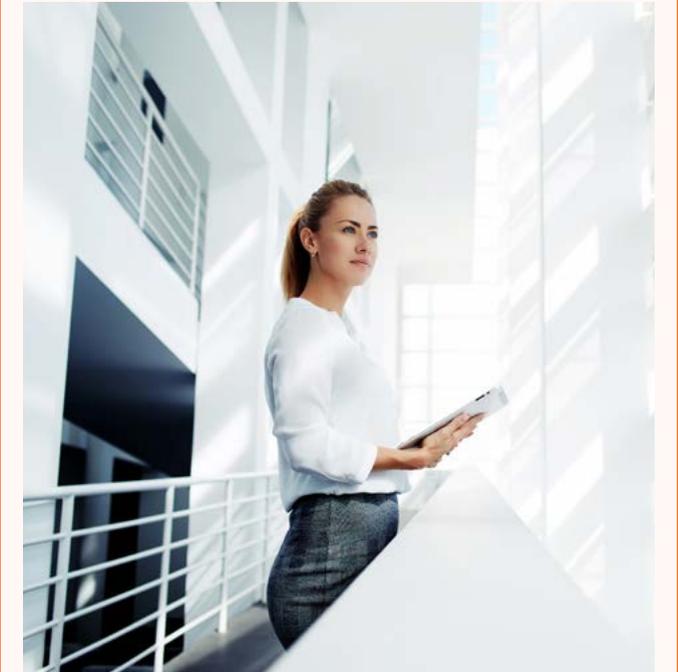
### Governance challenges and opportunities

#### Country level

- Political risk and strength of institutions
- Rule of law and enforceability
- Corruption
- Excessive bureaucracy
- Lack of transparency
- Underdeveloped capital markets

#### Company level

- Concentrated ownership
- Biased or inefficient Boards
- Management entrenchment
- Conflicts of interest in related party transactions
- Insufficient minority shareholder protection



### Fostering strong corporate governance across the region

Corporate governance national codes offer a reference framework to facilitate the understanding and developing of governance, promoting accountability, responsibility, and transparency across markets. IDB Invest has helped to develop and disseminate the national corporate governance codes of Jamaica and Ecuador (the first of its kind in the country), initiatives that counted on the support of the local Securities and Exchange Commission, stock exchanges, corporate governance institutes, and chambers of commerce. The launching was followed by tailor-made workshops to raise awareness among companies on the implementation of best practices and the benefits associated with complying with the codes' standards.

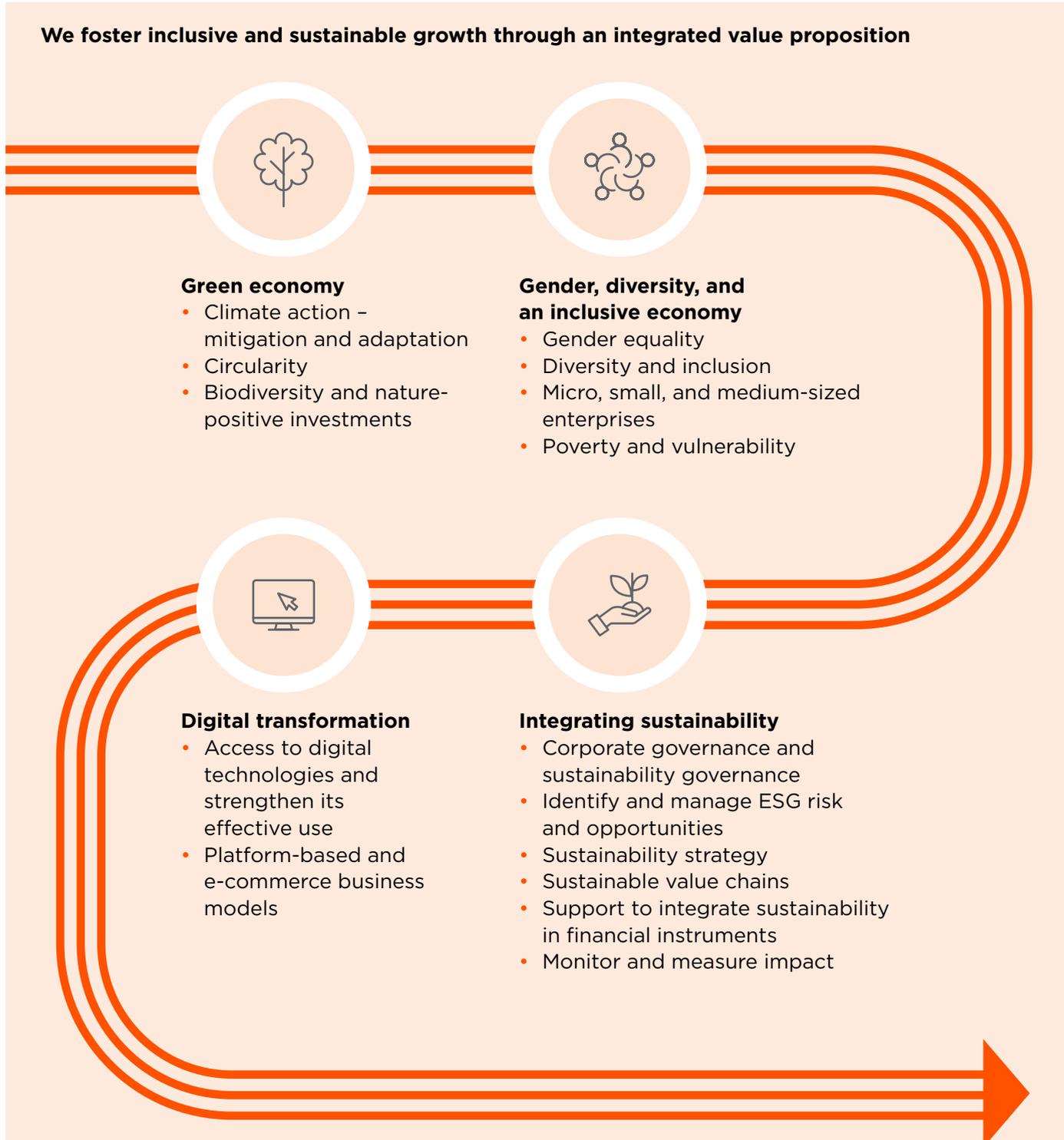
## ADVISING TO DRIVE GREATER IMPACT

As part of our integrated value-added proposition, we advise our clients to help them deliver the greatest impact, progress on their sustainability journey, and understand and respond to key sustainability trends. This work includes, for instance, helping clients make commitments to achieve net-zero greenhouse gas (GHG) emissions, address their material issues, and drive equality and diversity in their operations and value chains.

IDB Invest translates international trends and offers advisory services with an aim to:

- Enhance clients' inclusive and sustainable business practices, models, and mindsets.
- Support clients by improving the developing impact of existing transactions.
- Identify sustainable solutions to grow clients' businesses.
- Allow clients to surface new investment opportunities.
- Create a positive influence in our markets.

We also drive agendas to generate better markets by helping generate new investment opportunities, facilitating sustainable finance roundtables, piloting innovative solutions, and pioneering the circular economy.



### Promoting food security through Aqua Capital Fund III

Aqua Capital is a private equity firm that manages investments in innovative, transformational, and sustainable businesses across the agriculture and food industry in the Americas. IDB Invest has committed an equity investment of up to \$10 million in Aqua Capital's Sustainable Agri & Food Partnership.

With a target size of over \$425 million, the fund focuses on sustainable and transformational businesses in the region – with at least 80% in Latin America and 50% potentially in Brazil. It made its first investment in 2022 in a leading Brazilian on-farm biological solutions provider.

IDB Invest will provide advisory services to the fund and its portfolio companies to incorporate key climate and sustainability actions into their day-to-day business.





Driving progress through our investments

# KEY AREAS OF IMPACT

## IN THIS SECTION

- 24** Working together to tackle climate change
- 31** Prioritizing biodiversity and nature-positive investments
- 33** Investing in gender equality, diversity, and inclusion, and mitigating gender-based risks
- 38** Promoting inclusive growth

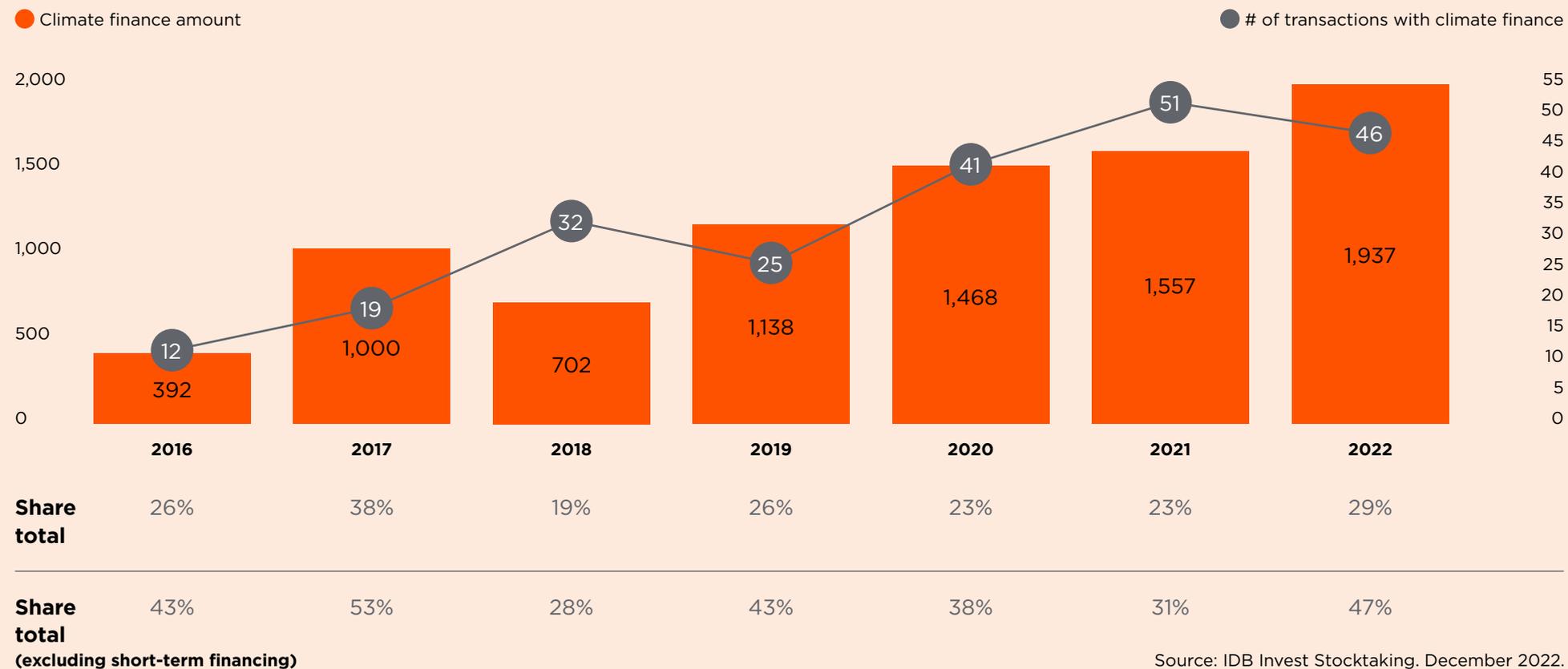
## WORKING TOGETHER TO TACKLE THE CLIMATE CRISIS

If we are to meet the objectives of the Paris Agreement, we will need to transform economic activities on a large scale. This starts with rapidly decarbonizing the electricity generation sector, electrifying vehicles, enhancing carbon sinks, improving energy efficiency, and increasing resilience and adaptation of investments.

IDB Invest has a long history of utilizing financial instruments, including blended finance, to accelerate the growth of climate solutions, with 47% of our long-term financing related to climate in 2022. We continue to work toward increasing that portfolio, striving to align our new investments with the Paris Agreement.

Mitigation and adaptation to climate change are strategic priorities for our investments and advisory services. Since 2016, the share of our investments relating to adaptation has increased, reaching 10% in 2022<sup>4</sup>. Nevertheless, we strive to increase our adaptation finance in the future by identifying new opportunities such as defined in our recent publication scaling private sector finance.

IDB Invest's climate finance commitments (\$m)



Source: IDB Invest Stocktaking. December 2022.

## TURNING FINANCING INTO IMPACT

# 14.1 million

tons of CO<sub>2</sub>e emissions avoided through IDB Invest investments 2016–2022

# \$8.2 billion

committed to climate finance through 2016–2022

4. In 2022 IDB Invest dedicated resources to understanding the underlying dynamics for financing private sector adaptation (see [Report](#)) using it to guide current and future actions at IDB invest to increase climate adaptation financing.

## Mobilizing the private sector toward the green economy

The Paris Agreement cannot succeed without investment and contribution from the private sector. We work with our investors and clients to help shift investments, corporate practices, and operations to be in line with the actions needed to reach the global climate goals.

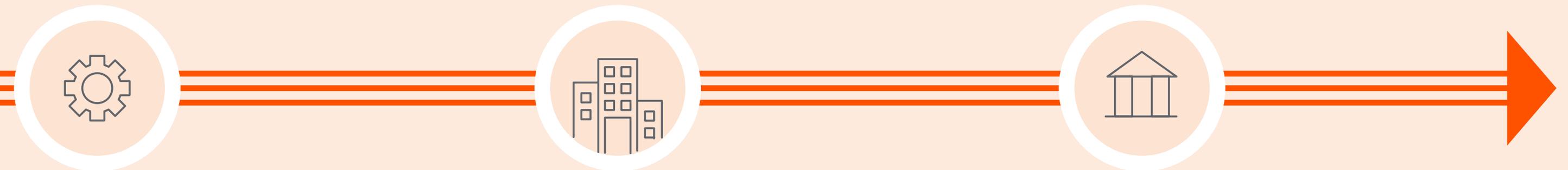
Alongside offering financial solutions, we help clients develop economically and environmentally sustainable business models by advising on climate-smart solutions that make the most of new technology and innovation. We also assist in the identification of and adaptation for present and future climate-related risks, support environmental footprint analysis, develop feasibility studies, and provide support for sustainable certifications and measuring climate impact.

IDB Invest's climate strategy has a triple ambition to:

- Fully involve the financial sector regarding sustainability.
- Be the catalyst to mobilize greater resources to sustainable projects in the real economy.
- Shield assets and the economy with smart investments to facilitate resilience to climatic events.

As a result, we are increasingly engaging with the active financial sector in LAC, with more than 45 commercial banks and investment funds from 16 countries in the region with green lines and bonds. In 2022, we supported four banks and three investment funds in six countries with green and sustainable lines and bonds.

### The value we add through our advisory services



#### Infrastructure

- Low-carbon alternatives diagnostics
- Monetized GHG emission reductions
- Decarbonization strategies
- Decision-making optimization for equipment acquisition
- Climate impact models and resiliency measures assessments
- Sustainable infrastructure labels (FAST-Infra SI label), green bonds, and its subset blue bonds

#### Financial institutions

- Technical assistance to create green products
- Knowledge transfer
- Technical assistance on international trends: climate disclosure
- Roadmap development
  - Task Force on Climate-related Financial Disclosures (TCFD)
  - Task Force on Nature-related Financial Disclosures (TNFD)
  - Paris Agreement alignment
  - Net-zero strategy
  - Climate risk methods
- Support issuance of thematic bonds

#### Corporates

- Energy efficiency diagnostics including renewable energy self-supply
- Decision-making optimization for equipment acquisition
- Decarbonization and carbon neutrality strategies
- Models of climate impacts on business
- Sustainable labels (green bonds, blue bonds)
- Resource efficiency assessments
- Assessment and design of disruptive and regenerative business models

To drive investment and mobilization in the real economy, we have supported more than 45 investments in renewable energy, including solar, wind, and battery storage. In 2022, we expanded our investment to electromobility, with the first electric mobility project in Colombia. The project is expected to lead to cost savings resulting from more efficient energy consumption.

### Assessing and addressing climate-related risks

It is vitally important that we regularly assess the impact climate change may have on the projects we invest in. Climate change is one of the top global risks and has financial implications for the private sector, including increased operational costs, disrupted production, and economic and social losses as a result of extreme weather events and natural disasters. We consider climate change mitigation and adaptation as priorities for all investments in the region.

Building on decades of experience in LAC, we are uniquely positioned to foster best practices. We help clients identify tangible risks and opportunities and assist in building resilience to current and future climate hazards. We use our Climate Risk Assessment methodology to identify and analyze risks and address them with our clients. This process is part of our E&S due diligence, which we conduct for all direct investments, in accordance with our ESSP. We have carried out over 100 climate risk screenings of projects so far, including 42 in 2022.

## Investing in climate resilience



### Helping agribusiness evaluate climate risk

The agribusiness sector in LAC is inherently vulnerable to the impacts of climate change. The AgriAdapt tool helps IDB Invest and its agribusiness clients to evaluate physical climate-related risks and impacts on their assets and supply chains. The tool also provides potential adaptation strategies that the client can consider to help mitigate some of those risks. The information provided by the client company or collected during the due diligence process will inform input variables to the tool. These inputs are combined with climate and physical risk datasets to evaluate both risk to yield production and to physical infrastructure of the client and suppliers, and potential physical impacts related to transportation routes.



### Integrating climate risk management into microfinance in Guatemala

Fundación Génesis Empresarial is renowned for its work in responsible financial inclusion, helping generate social impact through its financial products. The foundation covers 22 states in Guatemala – a country highly vulnerable to climate change – and reaches over 240,000 clients, of which 85% are in rural areas and 76% are women.

Using its own robust methodology and expertise of the region and agricultural sector, Génesis Empresarial identifies farmers' specific financial needs, the opportunities to improve their living conditions, and the measures needed to reduce agricultural losses due to climate change.

Together with IDB Invest, Génesis Empresarial has further strengthened its approach by implementing a climate risk management system to pinpoint the risks small producers face and

offer specific solutions and technical support to build resilience. For instance, the system estimates climate vulnerability, crop sensitivity in specific locations, and the producer's adaptability. The system is integrated with the credit assessment process to better manage overall portfolio risk, and enables permanent monitoring and updating of climate risks.

IDB Invest provided a loan equivalent to \$20 million to Fundación Génesis Empresarial to support increased access to financing for the country's MSMEs. As of 2022, more than 17,000 agricultural microentrepreneurs have been supported through this partnership. Farmers have been able to sell their products within food industry value chains, generating continued income for their families and moving forward on their development path away from poverty. For more information, see this [case study](#).





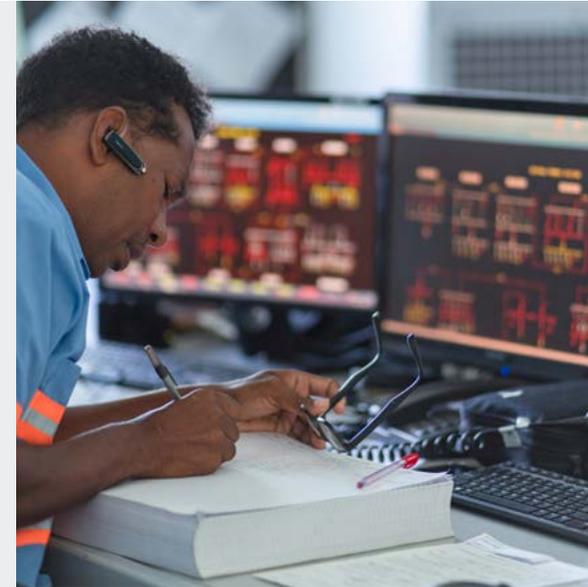
### Supporting climate-hit honey producers in Mexico

Miel Mex and Naturasol are sister companies with over 40 years in the food industry. The family-owned enterprises develop, process, and market food products such as nuts, honey, and energy bars. With more than 1,150 employees and four manufacturing plants, the company has doubled its size in a few years and is continuously improving its profitability.

IDB Invest is providing support to Naturasol through different financing schemes, enabling the company to increase its operations and support its expansion strategy. In 2020, IDB Invest signed an uncommitted revolving multi-currency credit facility (USD/MXN) available for five years and up to \$16.2 million, and in 2022, IDB Invest also granted financing of up to MXN\$300 million (around \$16 million) to both companies to build a distribution center with enhanced logistics and storage.

We also supported Naturasol with the development of technical assistance to improve the climate resilience of more than 400 beekeepers – 20% of whom are women – in 14 locations in Yucatán that provide honey to the two companies, directly benefiting almost 11,500 hives that were impacted by heavy floods and prolonged periods of drought.

IDB Invest is also providing advisory services to both companies to implement an environmental and social risk management action plan with an inclusive lens to ensure equal access for women and indigenous beekeepers and take into account the needs of workers with disabilities. [Learn more.](#)



### Leveraging Artificial Intelligence (AI) to estimate climate risk

The Fuel Conversion Engine is an AI-powered visualization tool to estimate climate risk across small and island countries in LAC and to inform pathways for renewable energy investment. This dashboard presents estimated risks for extreme weather events that were developed using satellite-based remote sensing data and AI techniques. These include the projected risk of fire and landslides in 2050 and 2070. We augment these risk distributions with information detailing existing energy sources, current infrastructure density (distribution of roads and buildings), and social vulnerability of resident populations to make informed decisions around renewable energy infrastructure investments in the region. This tool showcases how remote sensing data and AI techniques can help drive ESG investing.



### Rejuvenating tourism in the Dominican Republic and Jamaica

The economies of the Dominican Republic and Jamaica are highly dependent on tourism. As a result, restoring these industries has been a priority following the COVID-19 pandemic. IDB Invest provided financing of \$120 million to Grupo Piñero to help the company revitalize its regional hospitality portfolio, coinciding with the large-scale return of international travel. The reopening of its hotels is reactivating local value chains, supporting the generation of foreign exchange, reestablishing jobs lost during the pandemic, and promoting employee training.

Complementing the loan, IDB Invest offered technical assistance to support the protection of coastal areas and restoration of mangroves and corals.



## Expanding clean energy



### Funding solar power and inclusion in Brazil

IDB Invest is providing a \$27.8 million loan to Atlas Renewable Energy for the design, construction, commissioning, maintenance, and operation of bifacial solar modules at the New Juazeiro Project and its associated facilities in Bahia in northeastern Brazil. The financing package includes \$15 million of blended finance resources from the Canadian Climate Fund for the Private Sector of the Americas - Phase II (C2FII), and \$7.5 million from the Clean Technology Fund (CTF) that supports the integration of bifacial technology in financing. Through bifacial solar panels, solar power is absorbed through both sides of a panel, reducing generation costs and increasing the penetration of renewable energy.

This will increase the capacity of non-conventional renewable energy and the diversification of the country's energy matrix. Production will be approximately 440 GWh per year - enough to meet the electricity demand of a city of 750,000 inhabitants, and will contribute to reducing the equivalent

of 35,000 tons of CO<sub>2</sub> per year - comparable to removing 36,800 vehicles from the streets of São Paulo in the same period.

In addition to diversifying the energy matrix, this project is diversifying the workforce with the help of performance-based financial incentives. During the construction phase, 10% of the technical workforce were women - which is three to four times greater than the average number of women hired in solar projects in Brazil - and 73% of the total workforce was Afro-descendant. In 2022, the incentive kicked in when Atlas met key gender and diversity milestones, resulting in a 1% interest rate reduction on the blended finance portion of the financing.



### Accelerating coal phase-out through carbon pricing in Chile

ENGIE Energía Chile is a company with a presence in the generation, transmission, gas transportation, and port infrastructure markets. It is a subsidiary of the ENGIE Group, the largest independent energy producer in the world, which aims to accelerate the transition toward a carbon-neutral economy. ENGIE has been operating in Chile for more than a century, is the fourth largest power generator nationwide, and the third largest operator in terms of transmission.

In 2021, IDB Invest provided a \$125 million financial package, which includes \$15 million of blended finance resources from the CTF, to ENGIE Chile with the dual aim of accelerating the decarbonization of the country's electricity matrix and boosting clean energy capacity. The project is part of ENGIE's energy transformation plan, which, in addition to the successive closure of its coal-fired units, includes the development of a 2,000 MW portfolio of renewable energy projects.

IDB Invest will support the addition of a 151 MW wind farm through this project.

This is the world's first pilot project to monetize the cost of decarbonization. The financing package establishes a minimum price, structured as a lower financing cost in the CTF tranche, for the GHG emissions displaced by the early decommissioning of two coal-fired power plants. The cost of the displaced GHG emissions was calculated using a methodology tailor-made by IDB Invest that is expected to serve as a model and be replicable in other projects, with the goal of accelerating energy decarbonization in the region.

As of 2022, the project is on track with new green energy plants up and running and the two coal-fired power plants have been closed as planned. This innovative project can serve as a model for other projects in Chile and in LAC to propel the green transition.



## Tackling waste and pollution

At all stages of our work, we promote good industrial practice and efficiency strategies that minimize waste and pollution, including GHG emissions. When combined with continuous improvement programs, this approach increases efficient production and profitability. We require our clients to apply relevant EHS industry sector guidelines as benchmarks for good industry practice, and to design, implement, and operate their projects and activities accordingly.



## Unlocking the potential of the circular economy

While the traditional linear economy has generated negative environmental impacts such as waste and excessive resource use, the circular economy model seeks to keep material in use through reuse options like sharing, repairing, or recycling. In the face of the climate and biodiversity crisis, investment risk can be reduced with circular economy strategies that diversify business models, and allow companies to anticipate regulation and changes in consumer preferences.

In 2022, IDB Invest **completed a study** that explores the need for the circular economy to be seen as a systemic approach in LAC, rather than a siloed process. The study was conducted in collaboration with the Swiss foundation BASE, and analyzes the role of the financial system in the transition to circularity through Bancolombia, Banco de Bogotá, and Bancóldex in Colombia. An annual potential of \$11.7 billion was identified in savings through efficient use of materials, new business opportunities, and strengthening value chains in line with Colombia’s **National Strategy for Circular Economy**.

IDB Invest is also working on utilizing innovative instruments, such as thematic bonds to further unlock the potential of the circular economy.



### Helping to prevent pollution in Belize

With the support of IDB Invest, Belize Sugar Industries Ltd. (BSI), a sugar company that powers its factory through bagasse (leftovers from cane ground in the mill), made significant improvements in reducing its emissions and improving the air quality in the surrounding area. To reduce the particulate matter and gases emitted into the atmosphere, BSI replaced its electrostatic precipitator system with a combination wet scrubber and dry dust collector system – reducing its emissions by more than 50%. IDB Invest provided financing in 2019 and 2021 and carried out an E&S risk analysis of the project, resulting in guidance and recommendations to improve their pollution control and monitoring procedures.



## Our work accelerating the circular economy

### 1. Spearheading influence on circular economy in the region

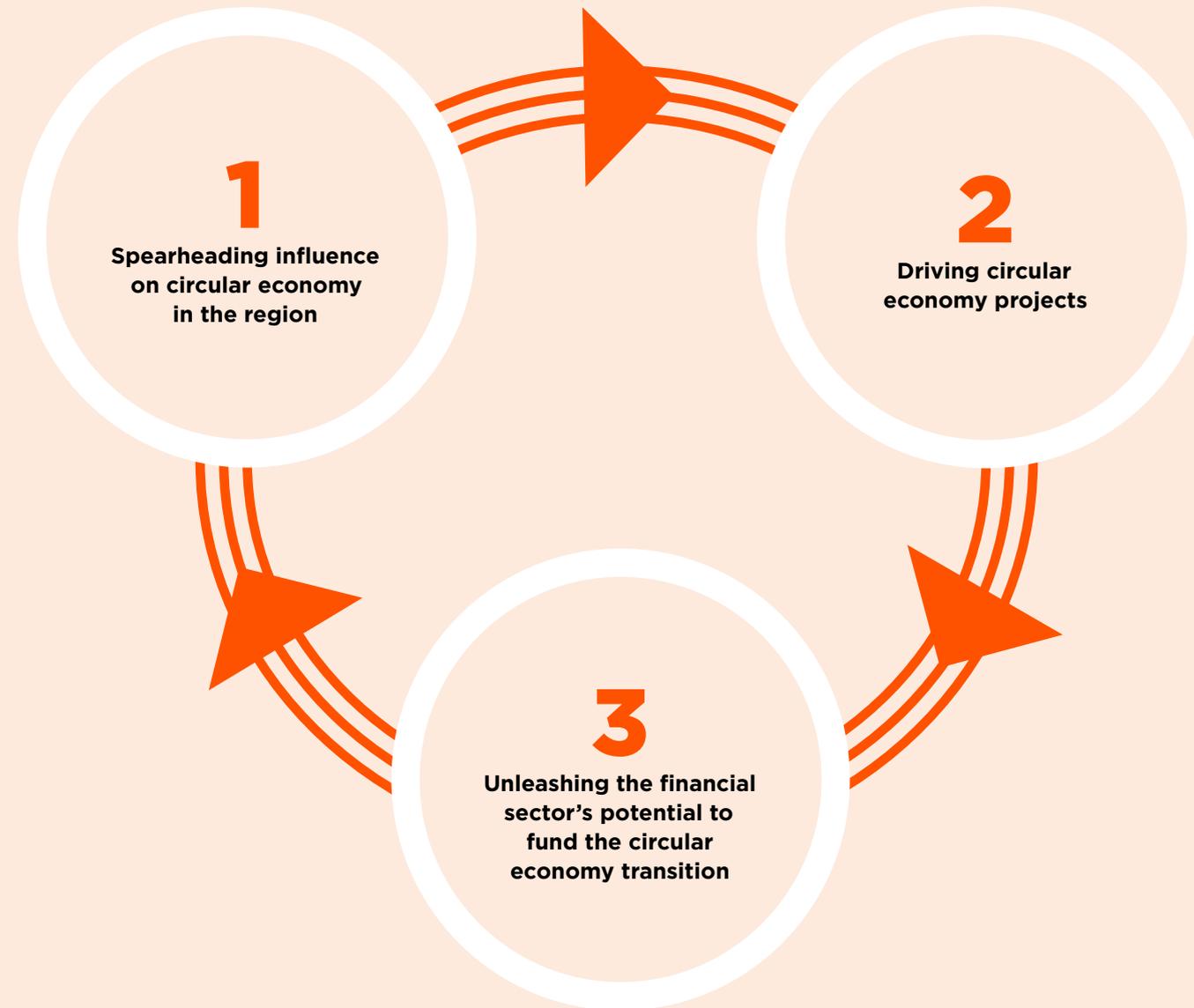
- Collaboration and partnership with IDB Group and other key players, such as the [Latin America and the Caribbean Circular Economy Coalition](#), [UN Environment Programme Finance Initiative](#), [Circle Economy](#)
- Raising understanding of the implications of the new economic paradigm for our clients
- Sharing knowledge, including [Fighting Food Waste in the Tourism Sector](#), the [Food Waste Menu](#), and [Food Loss in the Agribusiness Sector: The Perspective of Companies in Latin America and the Caribbean](#) (only available in Spanish)

### 2. Driving circular economy projects

- Supporting and advising clients in their transition to a circular economy
- Leveraging sustainability-linked financial instruments

### 3. Unleashing the financial sector's potential to fund the circular economy transition

- Building on existing circular economy taxonomies to better understand bank portfolio circularity and the size of the market opportunity
- Identifying gaps and building capabilities to understand and assess lending to circular models
- Supporting the development of new circular financial offerings



## PRIORITIZING BIODIVERSITY AND NATURE-POSITIVE INVESTMENTS

In our investments, we are committed to the protection, conservation, management, and sustainable use of biodiversity, natural resources, and ecosystem services. We require our clients to safeguard critical habitats, and when feasible, we work directly with clients to unlock investments in nature-based solutions.

Nature and biodiversity are joining climate as an area of development for companies. The UN Biodiversity Conference (COP 15) highlighted the momentum toward mandated biodiversity disclosures for the private sector, similar to those for climate. The financial implications of dwindling biodiversity are affecting companies in sectors ranging from agriculture to energy and pharmaceuticals. Policies to protect nature will affect a similarly diverse group of sectors.

We are continually seeking opportunities that deliver a net positive impact on the environment. In 2022, we provided advisory services to design a mangrove restoration plan and prevent coastal erosion and sea level rise that affects its shrimp farms in Mexico. We also provided advisory services to a hospital in Panama to include nature-based solutions in the project design and construction, and to a hotel in Dominican Republic to design a mangrove and coral reef restoration

and conservation program and the incorporation of coral reefs onto grey coastal infrastructure while generating employment in local communities. These projects – and those such as those with Explora (see box) – foster conservation-based business models drive GHG emission reductions and increase ecosystem climate resilience.

### Attracting new regional investors through nature-positive bonds

We are driving our commitment to climate action through bonds issued under our Sustainable Debt Framework. These include “blue bonds,” **the first of which we announced in November 2021**. Coinciding with COP26, the AUS\$50 million, 10-year fixed rate bond will support projects that contribute to the UN SDG 6, expanding clean water and sanitation to people in the region. The bond lays the groundwork for future blue bonds that finance projects in other industries, such as low-carbon and resilient ports, the circular economy, and sustainable tourism. Blue bonds are especially relevant to Latin America, where 25% of the population live on the coast, and the Caribbean, which includes 23 small and island countries surrounded by coastlines, making it more at risk from climate change. IDB Invest will continue to work on utilizing innovative instruments, such as thematic bonds to further unlock the potential of nature-positive investments.



### Promoting the recovery of nature-based tourism in Latin America

Explora is a sustainable tourism exploration and hospitality company based in Chile. Founded in 1993, the company is a certified B-Corporation with seven lodges in remote and iconic locations in Chile, Argentina, Peru, and Bolivia. It is a pioneer of the ecotourism concept and embraces the commitment to preserve and conserve nature and ecosystems.

In June 2022, we extended a \$23 million corporate loan to support the company’s growth and recovery from COVID-19, as well as to finance the development of a nature reserve in Torres del Paine, Chile.

Delivered under an innovative conservation model, the funds will help reactivate Explora’s tourism operations, while promoting employment and strengthening links with international

markets and local suppliers. The project, delivered in partnership with The Nature Conservancy, exemplifies a financially self-sustainable conservation model that catalyzes climate action and the protection of biodiversity and ecosystem services.

The conservation of over 6,000 hectares in Torres del Paine will be made possible through the development of a privately owned reserve that will be open to the public, and whose land and infrastructure costs, as well as the operational expenses, will be covered by an endowment from the sale of shares. In addition, the land will be legally protected under a Chilean law conservation agreement (Derecho Real de Conservación), so that it can be conserved in perpetuity. [Learn more.](#)



### Developing the cacay nut industry in Colombia

Grupo Kahai is the first company in the world to grow, process, and distribute the cacay nut, produced by a tree native to the Amazon region in the Colombian Orinoquía. Rich in protein and minerals, these highly nutritious nuts are consumed or processed into flour and oil for use in the food and cosmetics industries. Grupo Kahai's mission is to establish cacay as a source of sustainable economic development for Colombia through Agrocacay, S.A.S. (Agrocacay).

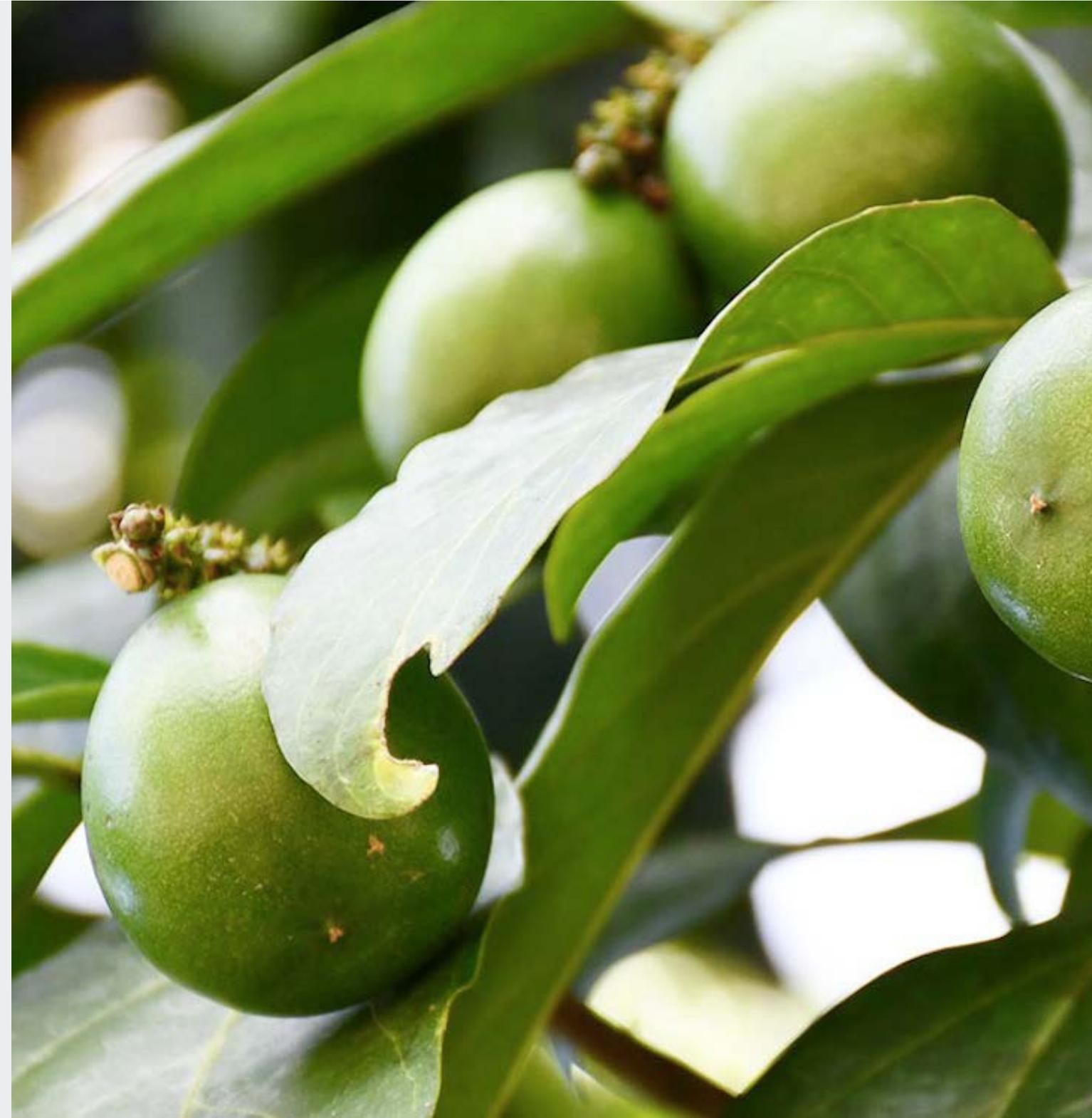
IDB Invest provided a loan with blended finance resources from the Global Environment Facility (GEF) Climate-Smart Agriculture Fund of up to \$3.1 million to Agrocacay to plant and maintain more than 100,000 cacay trees. As of 2022, the project has reforested 250 hectares of land (over halfway to the 415 hectares expected by project end). This brings the total of land reforested under Kahai's management to 650 hectares, on target with expectations.

In addition, the replanting will promote adaptation and climate change mitigation through the recovery of degraded land with a native tree. The expectation is that 62,250 tons of CO<sub>2</sub>e will be captured during the life of the plantations.

Small farmers also stand to gain through improved incomes thanks to their inclusion in the budding cacay market. In 2021, Kahai purchased seven tons of nuts (equivalent to 70 tons of fresh fruit, a 14% increase from the previous year) from small farmers and sold over 13,000 trees to farmers to integrate them into the supply chain.

IDB Invest also supported Agrocacay with an analysis of E&S risks, as well as the design of an action plan focused on the implementation of a robust E&S management system, labor and working practices, and the adoption of pollution prevention and biodiversity protection measures that will be monitored throughout the project. This family business is also implementing improvements to its governance as part of this project, including strengthening the structure and operation of its Board of Directors, creating a succession plan for key people, and strengthening its control environment.

Grupo Kahai won an **Environmental Finance 2021 IMPACT Award** and was the runner-up for the **2022 Emprender Paz Award**. See this [video](#) for more.



## INVESTING IN GENDER EQUALITY, DIVERSITY, AND INCLUSION, AND MITIGATING GENDER-BASED RISKS

Despite making up most of the LAC population, women, as well as other groups such as Afro-descendants, indigenous and traditional peoples, people with disabilities, and LGBTQ+ people, still face barriers in access to labor markets, basic services, and financial services. These hurdles hinder their ability to fully contribute to the economy and society, and to reach their full potential.

As an organization, our vision and mission is to help close the gender and diversity gaps in LAC through mobilizing private sector capital and contributing to inclusive and productive economies where all citizens can fully participate.

We want IDB Invest to be regarded as the most trusted advisor for companies to reap the benefits of an inclusive economy.

In 2020, we set an annual goal of having 30% of projects with a gender equality, diversity, and inclusion (GDI) component<sup>5</sup> (25% gender and 5% diversity) by 2022. We achieved this target in 2020, 2021, and 2022.

IDB Invest's Environmental and Social Sustainability Policy recognizes that people may be more vulnerable to negative project impacts based on gender or sexual orientation. Therefore, we work with clients to identify and mitigate these gender-related risks. We have developed tools to provide guidance to clients on risk mitigants during the due diligence and supervision process. We also provide support to clients so that they reflect these considerations in how projects address areas such as labor and working conditions, in resettlement situations, community health and safety, access to natural resources, and others.

5. This goal applies only to long-term transactions and is measured by number of projects rather than volume. A significant number of transactions are by transfer of capabilities (additionality).



### Investing in women to close the gender gap

The pandemic has particularly affected women. Pre-existing gender gaps have exposed them to further loss of income, unemployment, and unpaid household burden. Women-led companies have particularly suffered as they have experienced higher rates of closures than men-led businesses.

As part of the Women Entrepreneurs Finance Initiative (We-Fi), we have been supporting our clients in designing value propositions for women-led/owned businesses, through portfolio segmentation and analysis, market studies, and action plans to implement financial and non-financial services that address their specific business needs.

Contributing to closing the gender gap is not only necessary for the prosperity of the region, but it is also a great business opportunity.

Several studies have shown that businesses led by women generate higher financial returns and are reliable in paying their workers and suppliers. As consumers, women also make the majority of purchasing decisions.

IDB Invest has been promoting gender-lens investing, which focuses on mobilizing capital toward women-led companies, companies with gender equality policies, and companies that offer products and services aimed at women. The aim is to support stronger, more resilient women-led/owned and inclusive businesses.

See our blog posts on [gender bias in lending](#) and [advancing gender equality in the financial sector through incentives](#).



## Developing GDI-related financing

We continue to develop innovative financial instruments to advance the GDI agenda. By the end of 2022, we had mobilized around \$500 million with over 25 banks in the region, either by structuring and/or buying gender bonds with Banistmo, Davivienda, and IDB Invest's own gender bond.

In March 2021, we issued a MXN\$2,500 million (around \$122 million) social bond with a focus on gender with a three-year term listed on the Mexican Institutional Stock Exchange (BIVA).

The funds raised will finance projects aimed at promoting gender equality and the empowerment of women in the region.

Blended finance has been seminal in advancing the gender agenda by attaching financial incentives to GDI-specific performance and giving GDI issues equal prominence to other issues in transactions. Blended finance has also enabled us to pilot tools and programs - such as training and internship programs in science, technology, engineering, and math (STEM) - that our clients can finance themselves.



### Using gender bonds to expand financing for women-led SMEs in Panama

Banistmo, a subsidiary of Bancolombia operating in Panama since 1973, was the first bank in the country to have a value proposition focused on women. It was also the first bank in Latin America to issue a gender bond in 2019. This novel \$50 million bond, subscribed by IDB Invest, aims to increase access to finance for women-led SMEs. And results to date show that this is working.

In 2021, the bank's women-led SME portfolio grew 3% compared to 2020, reaching \$370.6 million. Similarly, the number of women-led SME clients has increased to over 8,400 in 2021, almost 4.5 times the target. The women-led SME portfolio now accounts for 5% of Banistmo's total credit portfolio, surpassing the target of 4%.

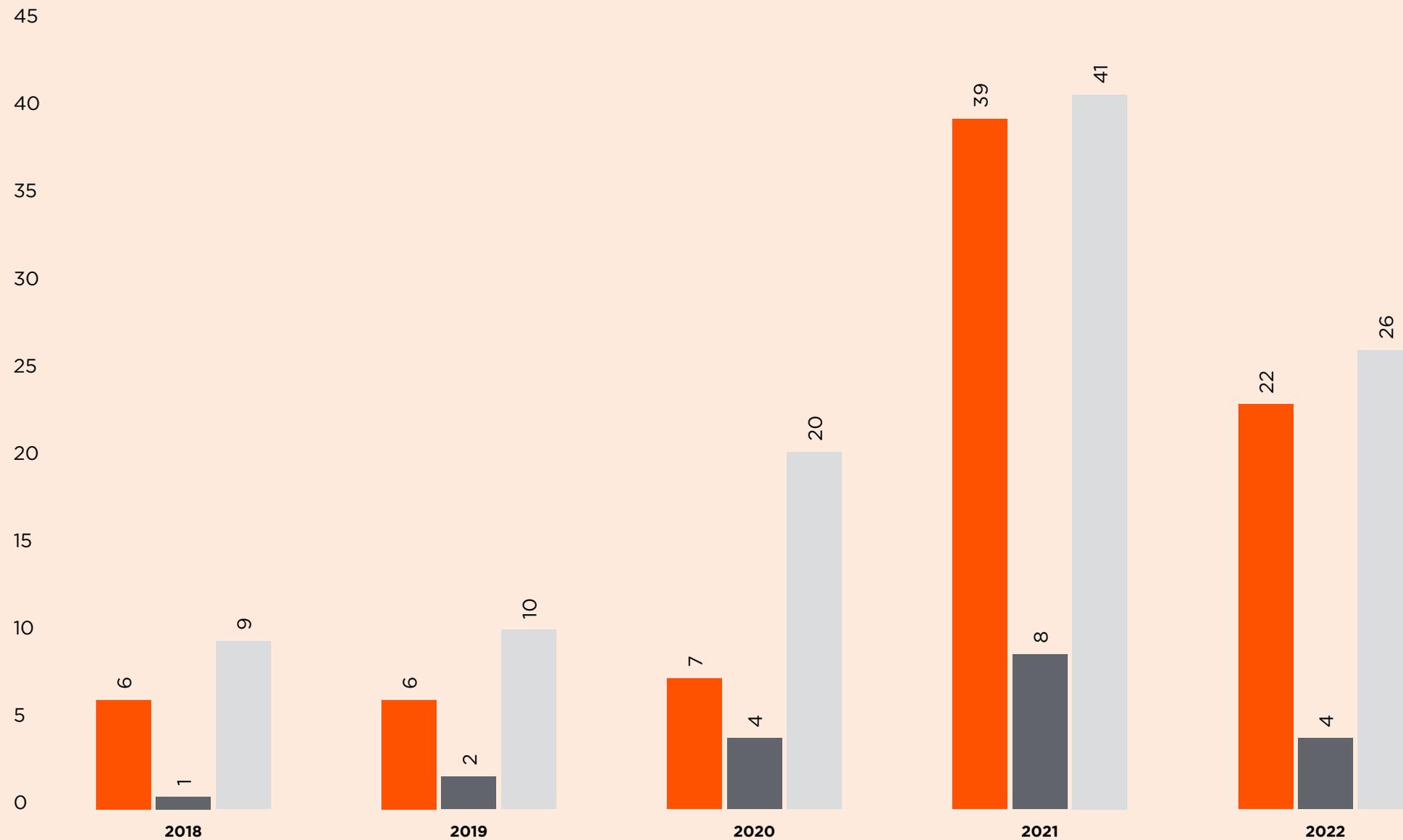
In addition, through this gender bond, Banistmo expanded its Impulsa program, which has provided mentoring and training support to more than 2,700 women-led SMEs from 2019 to 2021.

Banistmo is also part of the leadership of Panama's Gender Parity Accelerator, a public-private platform facilitated by the IDB Group, which has been key in fostering dialogue with the government of Panama to support women entrepreneurs holistically.

See this [Client Impact DEBrief](#) for more information on the results achieved by this project to date.



**Projects with gender and diversity components<sup>6</sup>**



- Gender equality - outcome
- Excluded populations - outcome
- Gender and diversity - additionality

6. We measure GDI impact in two ways:

- Outcome: the projects directly impact women or underrepresented groups.
- Additionality: the project does not directly impact GDI, but IDB Invest transfers GDI capabilities to the client and/or generates value for other project stakeholders (for example, by increasing the number of women or minority-owned/led SMEs in a client's value chain).

**Helping our clients embed GDI strategies**

We help our clients identify the economic opportunities they will gain by integrating a GDI strategy into their business. We have clear value propositions for every client according to their level of GDI market maturity, offering a GDI Gap Diagnostic and a range of benchmarking and analysis processes.

For example, we help companies use:

- Diversity and inclusion strategies to attract and retain the best talent through human resource policy recommendations, diversity and inclusion training, and mentoring programs.
- Market strategies to uncover opportunities and segments through market research and product and service development.
- Value chain strategies, procurement policies, and supplier training to develop a more inclusive value chain.

We know that helping our clients develop and implement an effective GDI strategy will position them as market leaders. By encouraging them to invest in innovation, market development, capital, and human talent, they will deliver long-term financial performance.

Learn more about our work [embedding GDI into our own organization](#).

# 1.5x

Companies that embrace diversity are up to 1.5 times more likely to have happier employees that are 55% more likely to want to stay



**Integrating women-led SMEs into the textile supply chain in Honduras**

Elcatex and San Juan Textiles, subsidiaries of Grupo Elcatex, are pioneers and leaders in the textile industry in Honduras. They are also pioneers in terms of building inclusive value chains that integrate women-led/owned SMEs as suppliers.

As part of the \$96 million financing package, we provided advisory services to support increased purchasing from small businesses, especially those led or owned by women. This included building awareness about the business benefits of gender-inclusive supply chains, securing management buy-in, and training procurement teams on inclusive sourcing.

This was coupled with performance-based financial incentives and concessional blended finance resources from the **We-Fi** initiative – a global alliance to support the growth of companies owned or led by women. These incentives reward the client for increasing purchases from women-led/owned SME suppliers.

As a result, between 2020 and 2022, Elcatex more than doubled the number of women-led businesses in its value chains, increasing from 21 to 53.

Learn more about this project in this **Client Impact DEBrief**.





### Helping clients measure and address gender risks

WINECO was an example of a holistic review for gender inclusion, looking at the gender spectrum from risk to opportunity. To support their process to identify gender risks, IDB Invest used a Gender Risk Assessment Tool (GRAT), together with analysis of client documents and a field visit to identify opportunities to mitigate these risks, building on the client's strong policies and codes of conduct related to zero tolerance for moral and sexual harassment and commitment to zero tolerance to discrimination. To support the process of identifying gender opportunities, IDB Invest applied the WEPs diagnostic gap tool to identify the gaps and develop a Gender Action Plan for the client.

We helped the client further enhance its measures to prevent gender violence, recommending measures in an Environmental and Social Action Plan (ESAP), which requires the client to prepare a Gender Violence Prevention Program that reaches employees and outsourced workers for all project units and that establishes:

- A timeline for awareness activities.
- Information dissemination strategies.
- Prevention measures.



The ESAP also calls for the preparation of a Gender Diversity Program that:

- Develops strategies for promoting gender diversity among employees.
- Promotes strategies for hiring, developing, and promoting women, members of the LGBTQ+ community, and minorities.
- Sets goals for wage equality and diversity between hierarchical levels.

In the case of WINECO, IDB Invest applied the GRAT, which helped identify preliminary risks regarding occupational health and safety and working conditions for women. As a result, the client is implementing a Gender Action Plan to:

- Ensure that all staff feel respected, safe, and valued in the workplace.
- Take proactive measures to prevent and eliminate gender discrimination.
- Provide equal opportunities for all staff.

An expert consultancy firm was also hired to conduct a site assessment on the occupational health and safety and working conditions analysis with a gender focus that led to guidance related to the client's Occupational Health and Safety (OHS) Plan and working conditions. The assessment resulted in a number of project-specific recommendations, as well as providing training for staff both in French and Creole.

## PROMOTING INCLUSIVE GROWTH

Investment in micro, small, and medium-sized enterprises (MSMEs) enables them to fulfill their potential in contributing toward the SDGs. Additionally, these businesses often have a higher level of climate vulnerability, making them a priority for efforts to ensure a just transition. We are committed to helping our corporate and financial institution clients to invest in and support the sustainability of regional MSMEs, so that we can progress toward an economy that works for all.

### The operating environment for MSMEs

For most large firms in LAC, MSMEs represent an important client segment or a large share of stakeholders in their value chain, including as suppliers, distributors, and retailers.

MSMEs represent 99% of businesses and 67% of employment in the region, making them among the strongest drivers of economic development. However, despite their potential, MSMEs in the region tend to stay small and are significantly less productive than large firms.

A key challenge is the lack of accessible, adequate, and affordable financing, which prevents MSMEs from growing, increasing their productivity and competitiveness, and from investing in innovation, such as embracing digital solutions. Another challenge is the capacity to adopt the kind of sustainable practices increasingly requested by large firms as they

seek greater transparency and accountability from their supply chains. MSMEs often lack the relevant knowledge, human resources, or financial capacity to invest in these issues, affecting their competitiveness and integration into larger regional or global value chains.

By supporting their adoption of sustainable practices, models, and mindsets, these companies will be better placed to innovate, enhance competitiveness, become more resilient, and diversify their sources of investment – at the same time as addressing the interlinked challenges of climate change and social inclusion.

### Supporting MSMEs in value chains

Through their value chains, businesses play a critical role in ensuring an inclusive sustainable transformation. Through innovative financial instruments and advisory, we support our corporate clients to:

- Expand access to financing to MSMEs in their value chains.
- Diversify their supply chains and support local economies by expanding participation of MSMEs.
- Enhance the traceability and sustainable management of their value chains – and, while doing so, ensure MSMEs and small-holder producers improve their sustainability capacities and competitiveness.

These practices and measures help MSMEs foster job creation, contribute to climate change action, and allow them to continue to provide crucial goods and services in our region.



### Protecting and restoring local heritage in Panama

IDB Invest provided a \$16 million loan to finance the development of Hotel La Compañía, a heritage hotel in Casco Viejo, Panama – a historic district of Panama City that was declared a UNESCO World Heritage site in 1997.

The hotel, located where the Jesuit mission La Compañía de Jesús first settled in Panama in the 16th century, intends to restore a cultural and historical landmark while significantly contributing to the area's redevelopment. As of 2022, Hotel La Compañía, which is affiliated with Hyatt's Unbound Collection, has created 199 jobs, 72 of which are held by women.

Through its supply chain, the hotel has also had a positive impact by generating new demand for food and handicrafts supplied by local MSMEs.

This is a brownfield and sustainable tourism project that is the culmination of close collaboration between the public and private sectors. The government will restore part of the Jesuit ruins, while the developer has committed to making improvements to a city-owned courtyard, maintaining it as an open public garden.



## Supporting financial inclusion

We support the financial sector to maximize its role in promoting sustainable and inclusive economic growth by integrating a sustainability lens in its investments, products, and services, and by expanding its inclusion of MSMEs and underserved populations. This includes working with financial institutions to develop concrete strategies and value propositions that foster the financial inclusion and address the needs of MSMEs.

Through the years, we have been fostering greater financial inclusion by promoting understanding of the challenges faced by vulnerable population segments (immigrants, silver economy, etc.) in accessing financial services and expanding our work with specialized financial service providers, including financial cooperatives, credit unions, microfinance institutions, funds, and financial technology companies, to meet their needs.



In **Brazil** we have provided funds to Omni S.A. Crédito, Financiamento e Investimento (Omni) so that Fintech clients, truck drivers, and immigrant microentrepreneurs have access to microcredit. Truck drivers will also have access to information about efficient and sustainable practices to reduce carbon emissions.



In **Chile**, we have supported Caja de Compensación de Asignación Familiar Los Héroes, as they focus on providing financial services to senior citizens and immigrants in their development of a digital financial education program focused on the “silver economy,” to encourage this client segment to use the financial services it offers via digital channels. In addition, we have provided Caja Los Héroes with technical support around gender equality, supporting the implementation of the Gender Parity Taskforces (IPG) in its affiliated companies. An evaluation of the impact of the credit on the beneficiaries will also be carried out.



In **Peru**, we have provided subordinated debt financing to Caja Municipal de Ahorro y Crédito Cusco S.A. (Caja Cusco) to increase access to credit for MSMEs in urban and rural areas of Peru, especially in the areas of Cusco, Apurímac, Puno, and Madre de Dios. At least 20% of the financing will be directed to indigenous/women-led MSMEs.





Accelerating sustainability  
through dialogue and advocacy

# INSPIRING CHANGE

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## DRIVING PARTNERSHIPS AND KNOWLEDGE SHARING

Driven by experiences and insights gained through our projects, extensive engagement with our clients and stakeholders, and the expertise of our people, we generate and share a wide range of knowledge and communications.

We do this through events, studies, blogs, webinars, podcasts, and in other formats, and in a range of languages.



To inform regional and global discussion about development impact, our **knowledge base** hosts dozens of studies and impact evaluations about markets in which we operate. Highlights from 2022 include the **Development Effectiveness Overview 2022**, a review of lessons learned in promoting **energy efficiency in the private sector**, and a joint IDB Group report on **corporate strategies and public policies for the agribusiness sector**.

In 2022, our publishing included:

- A Spanish-language report on **human trafficking in the tourism sector in Mexico**.
- A study on **Reverse Factoring for MSMEs**, exploring emerging financial tools for supply chain resilience.
- A study exploring **governance maturity in startups and scale ups**.
- An exploration of **Remote Sensing and Artificial Intelligence Applications for Agribusiness**.
- A practical guide for **evaluating and managing cumulative impacts** in LAC.



### Advancing sustainability with financial institutions (FIs) through a scorecard

IDB Invest developed a Sustainable Finance Portal to measure the maturity of sustainable finance across FIs. The goal is to provide FIs with a roadmap for sustainable finance implementation changing the dynamics of the discussion from transaction-based to values-based.

The evolution of the scorecard includes enhanced analytics that offers greater insights into climate, gender, and socioeconomic impact.

To date, the tool has been used by both individual banking institutions as well as groups of banks through banking associations. The scorecard has been deployed in an initial version to more than 80 FIs across the region, providing insight on their respective sustainable finance maturity across the three core dimensions (strategy, risk management, and sustainable products) as well as individual bank portfolio data on sector exposure. Together, the combination of sector exposure and E&S maturity provides an indication of potential new opportunities and actions in defining a roadmap as to how to strengthen E&S and climate sustainability in the short, mid, and long term.



### Remote sensing and artificial intelligence (AI) for agribusiness

In partnership with Accenture, IDB Invest developed the **Remote Sensing and Artificial Intelligence Applications for Agribusiness**, which aims to help map the current landscape of the adoption of remote sensing and AI technologies to strengthen ESG monitoring and business performance in the agribusiness sector, with a focus on opportunities for LAC. Advances in remote sensing technologies and AI techniques are delivering significant refinements in precision agriculture while improving capacity for monitoring the impacts of agribusiness on biodiversity and GHG levels.

Innovative technologies provide opportunities to put data-driven decision-making at the core of business operation, while supporting the acceleration of sustainability-linked solutions at an unprecedented scale.

For example, AI is being employed to detect energy emissions, develop greener transport, monitor deforestation, and predict extreme weather events. This is being used by investors to bring greater transparency and accountability to ESG and impact investing. Proving that technology can help manage long-term risks and rewards, acting as the catalyst for sustainable investing at scale.

Remote sensing systems offer the foundation for robust and efficient monitoring and evaluation of ESG outcomes in agribusiness. These technologies can deliver insights that are not only reliable and timely, but also at the scale required to evaluate impacts of agribusiness across LAC. Further, increased use of remote sensing in program evaluation can help to accelerate the standardization of industry ESG reporting driven by remote sensing.

### Broadening our knowledge sharing

#### Negocios Sostenibles blog<sup>7</sup>

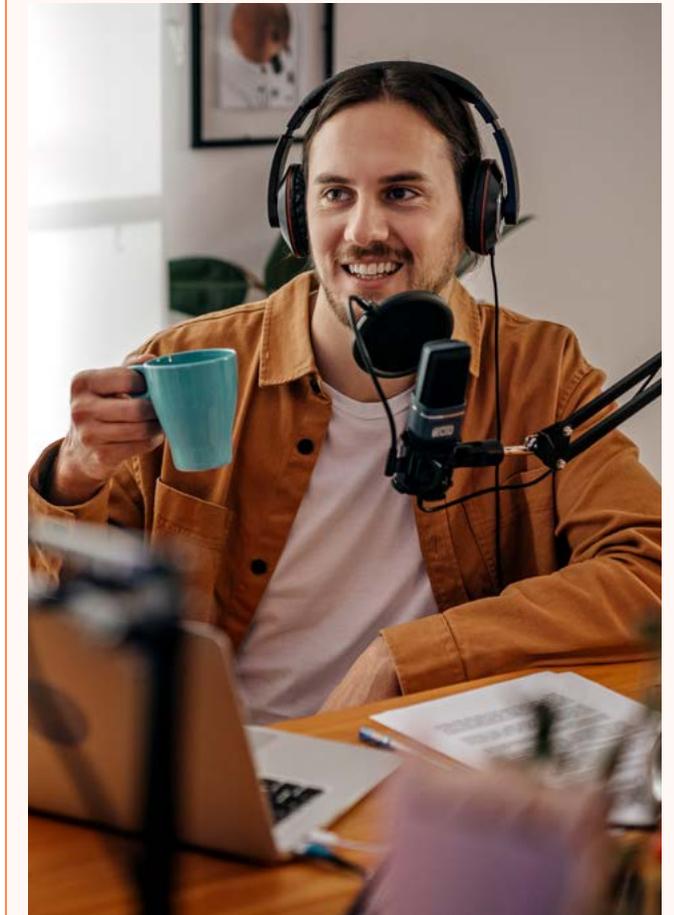
On **our blog**, we regularly publish articles focused on the topics of agribusiness, development impact, climate change, energy, financial institutions, transport, and gender in relation to economic opportunity. This work aims to inform business decisions and drive dialogue about global investment.



7. Sustainable business blog.

#### IMPCTRS podcast

In June 2022, we launched IMPCTRS, a Spanish-language podcast – available on many platforms – that aims to inspire sustainable impact across our region. Through stories of change from our clients, the podcast discusses solutions, tools, and innovative financing to enable a greener and more inclusive future. [Learn more.](#)



## ACCELERATING IMPACT AT SUSTAINABILITY WEEK 2022

With the global economy facing extraordinary ESG challenges, sharing knowledge and convening colleagues across countries and industries feels more important than ever. Our Sustainability Week (SW) aims to do just that.

Since its launch in 1999, SW has become the major environmental, social sustainability, and corporate governance knowledge platform for the private sector in LAC. **SW 2022** - themed "From Thinkers to Doers" - brought together influential experts and innovators in Miami, Florida, to share the tools and practices that are creating sustainable impact in their areas.

To make SW 2022 as relevant as possible, we deployed a collaborative process to generate the program, "crowdsourcing" the issues participants felt most pressing. Six overarching themes emerged:



Climate action



Sustainable value chains



Just transition



Financial innovation



Small and island communities



Sustainable digital transformation

We then translated these topics into 68 high-impact sessions, presented by 250 high-level speakers. A few examples include:

- **Originate to Share - Mobilizing Impact Investing for the Development of Emerging Markets:** A panel of international experts exploring how to mobilize international and local investors toward investments that support the sustainable development of the LAC region while bridging investment gaps and tackling the compounding impacts of COVID-19. [Watch now.](#)
- **Board Effectiveness for a Changing World:** Responding to increasing business complexity and ensuring that companies are purposeful and strategic depends on composition and how well a Board works as a collective decision-making body. Board effectiveness is a must to address the current and future issues that demand fast, but profound and sustainable answers. [Watch now.](#)
- **Prototype Demo - How AI Can Be Leveraged to Drive ESG Investing:** An intelligent visualization tool designed to estimate climate risk across small and island countries in LAC and to inform pathways for renewable energy investment. Its dashboard presents estimated risks for extreme weather events, developed using satellite-based remote sensing data and AI techniques. This tool showcases how remote sensing data and AI techniques can help drive ESG investing. [Watch now.](#)

Knowledge generation and idea sharing was a key outcome; beyond the main discussions, 12 training sessions were delivered to 700 participants on key sustainability issues, 400 bilateral business meetings were hosted, and a number of rich reports and publications were launched. See our [recap video](#).

A minimal footprint and a positive local legacy are important to us for SW itself, so we made SW 2022 net zero by offsetting 167 tons of CO<sub>2</sub>e through the afforestation project in Guarané, Uruguay. We also donated 250 pounds of food to the Miami Rescue Mission Homeless Shelter and 95% of the cardboard to local organizations.

Looking toward SW 2024, we plan to continue scaling the event's size, reach, and positive impact with the help of our sponsors and partners - further developing our role as a knowledge broker and facilitator for the adoption of best practice.

**"You presented very valuable material, difficult to obtain in other events, practical in its application and very relevant to our Latin American reality."**

**SW 2022 attendee**

### Our reach in numbers

**500**

in-person attendees

**8,752**

registered premium online participants

**17,000**

video viewers online

**119,000**

website visits

**4 million**

social media impressions

**4,430**

hours of watched content

**3,043**

companies represented



Embedding sustainability within IDB Invest

# ACTING RESPONSIBLY

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## RESPONSIBLE INSTITUTIONAL GOVERNANCE

Integrity is essential for achieving IDB Invest goals and maintaining its reputation. IDB Invest expects its clients to abide by the highest standards of ethics, integrity, transparency, and accountability in relation to all IDB Invest operations. IDB Invest also expects all of its employees to adhere to the same high standards in their professional and personal behavior.

As a multilateral development bank, we understand the strong correlation between corporate governance culture and sustainability. We have a responsibility to be sustainable and make returns on our investments while also acting with the utmost integrity.

### Promoting integrity

IDB Invest puts its commitment to integrity into practice through a framework of rigorous policies and procedures for our staff and clients. This includes environmental and social safeguards which guide our activities, and the promotion of high corporate governance standards that support companies while contributing to a local culture of good corporate governance, including the values of transparency, equitable treatment, corporate accountability, and long-term sustainability.

The IDB Group's integrity efforts, which apply to IDB Invest, focus on three key areas:

- Supporting programs that will help countries and companies strengthen good governance, enforce the rule of law, and prevent corruption.

- Ensuring that activities financed by the IDB Group are executed with proper safeguards, aiming to prevent fraud and corruption.
- Ensuring that IDB Group staff act in accordance with the highest levels of integrity and that the institution's internal policies and procedures are committed to this goal. The Office of Ethics within the IDB Group supports and guides the proper application of the Code of Ethics and Professional Conduct, conducts ethics training sessions, investigates ethical violations by IDB Group staff, and ensures compliance with financial disclosure requirements.

### Integrity risk prevention and management

Through our extensive set of policies, best practices, and specialized mechanisms to reinforce integrity best practices, we aim to deter "Prohibited Practices" such as fraud and corruption in all IDB Invest-financed projects. Integrity risk and its potential reputational and other impacts in connection with IDB Invest operations and activities are assessed during the integrity review of investments. IDB Invest's counterparties may also be subject to the IDB Group Sanctions System, which includes a system for the investigation and sanctioning of counterparties in the case of allegations of Prohibited Practices in our investment operations.

IDB Invest conducts regular integrity risk assessments of its investments, including an integrity due diligence review that screens counterparties, their managers, shareholders, and ultimate beneficial owners for integrity concerns. This review is conducted during project origination and then at least yearly as part of our supervision. The integrity risk assessment is anchored in the IDB Invest Integrity Framework and has three components:

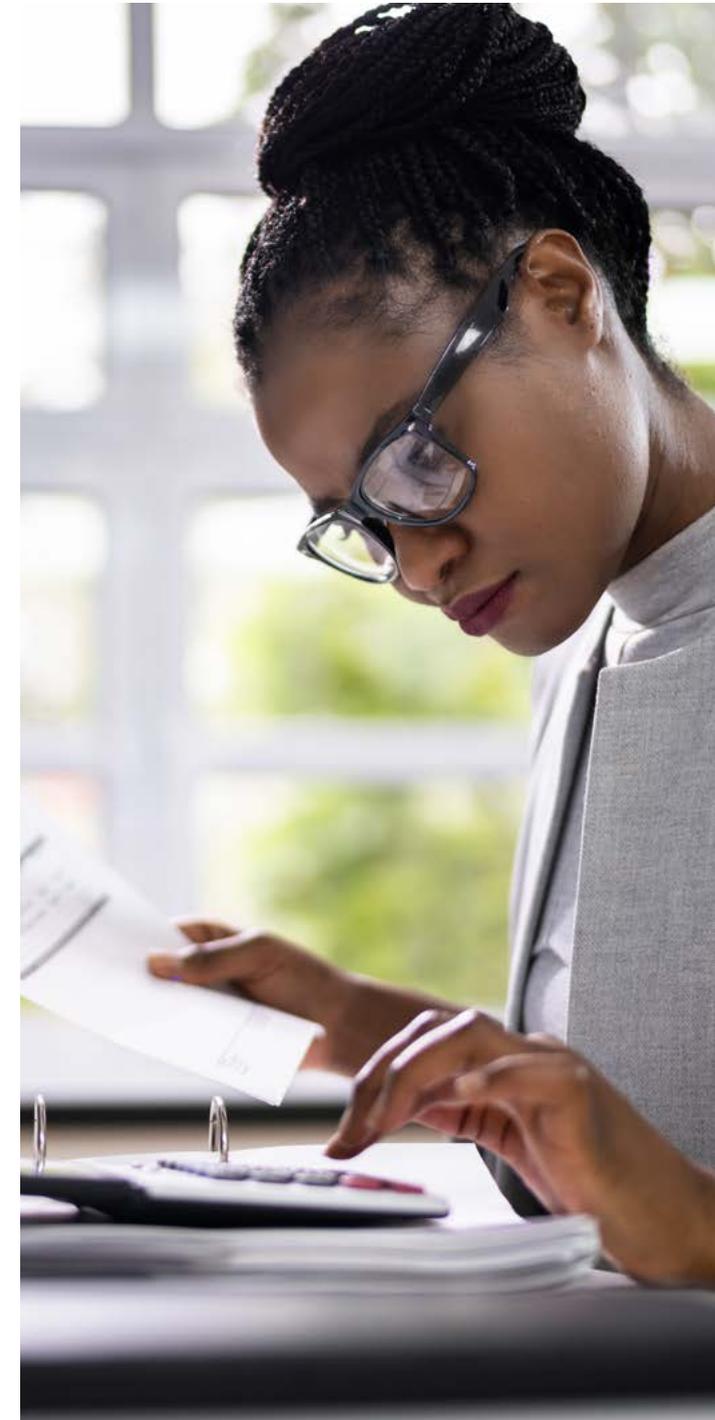
(a) know-your-customer reviews focused on potential counterparties, as well as other relevant entities, (b) assessments of the anti-money laundering systems of financial institution counterparties, (c) assessments of the risks, including certain tax-related risks, presented by counterparties with cross-border corporate structures.

Our policies and procedures related to integrity risks, including bribery and corruption, include:

- IDB Invest Integrity Framework: Establishes principles for the assessment and management of integrity risk and its associated reputational and other impacts.
- IDB Invest Code of Ethics and Professional Conduct: Reflects the expectations for the conduct of employees, including a prohibition from taking part in Prohibited Practices and other forms of workplace fraud, corruption, or theft.
- Sanctions Procedures: Sets out the procedures in connection with allegations of Prohibited Practices in IDB Group projects.
- Whistleblower Reporting and Protection Policy: Defines protections for IDB Group employees and other parties supporting the Group's integrity environment.

Our commitment to these issues extends beyond our region. We take part in broad-based international efforts to promote integrity and transparency throughout the world, including:

- International Financial Institutions Anti-Corruption Task Force, which developed the Uniform Framework for Preventing and Combating Fraud and Corruption
- Agreement for Mutual Enforcement of Debarment Decisions, through which the participating financial institutions pledge to enforce each other's sanctions against corruption.



## Building borrower capacity to manage integrity risks

Building borrower capacity to manage integrity and reputational risks is crucial for promoting ethical behavior across the private sector in the region. IDB Invest encourages borrowers to adopt strong internal controls and risk management practices to prevent unethical behavior. By building borrower capacity to manage integrity and reputational risks, IDB Invest promotes a culture of compliance and ensures that our client's practices are transparent, accountable, and sustainable.

## Integrity and accountability at IDB Invest

To comply with the highest standards of integrity and transparency, our activities are monitored by the following oversight offices of the IDB Group:

- The Office of Ethics within the IDB Group advises management and employees on the application of the Code of Ethics and Professional Conduct, delivers communication and training programs on ethics, investigates allegations of misconduct by IDB Group staff, and ensures compliance with its Declaration of Interests program.
- The Office of Institutional Integrity investigates allegations of Prohibited Practices in relation to IDB Invest operations and its prevention specialists work closely with project teams to identify, assess, and mitigate integrity and reputational risks in IDB Invest-financed activities.
- The Office of Evaluation and Oversight (OVE), which audits policies, strategies, programs, and activities, as well as evaluates the performance and sustainability of completed projects.

- The Independent Consultation and Investigation Mechanism (MICI). The MICI is an office of the IDB Group, independent of the Bank's management and project teams, which addresses the environmental and social grievances of communities potentially affected by the Group's operations.

The MICI offers two courses of action for those who fear possible harm from projects financed by the Inter-American Development Bank, IDB Invest, or IDB Lab:

- Dispute resolution (Consultation Phase): MICI can mediate between parties to facilitate an agreement and monitor the implementation of a satisfactory solution.
- Investigation (Compliance Review Phase): MICI can conduct an independent investigation to verify whether IDB Invest complied with its environmental, social, and information standards, recommend corrective actions, and monitor their implementation.

These phases offer an opportunity to address environmental and social concerns should the policies and standards and due diligence processes our projects must comply with fail to achieve the expected objectives. In this way, MICI strengthens the IDB Group's commitment to sustainable development in LAC. See the MICI website for more information.

## Management Grievance Mechanism

We are committed to listening to and addressing, wherever possible, the concerns of the people and communities we work with. The Management Grievance Mechanism (MGM) is a new channel, launched in December 2020, for individuals or groups to submit complaints related

to environmental, social, or corporate governance issues of projects currently financed by IDB Invest, or projects that we are considering financing.

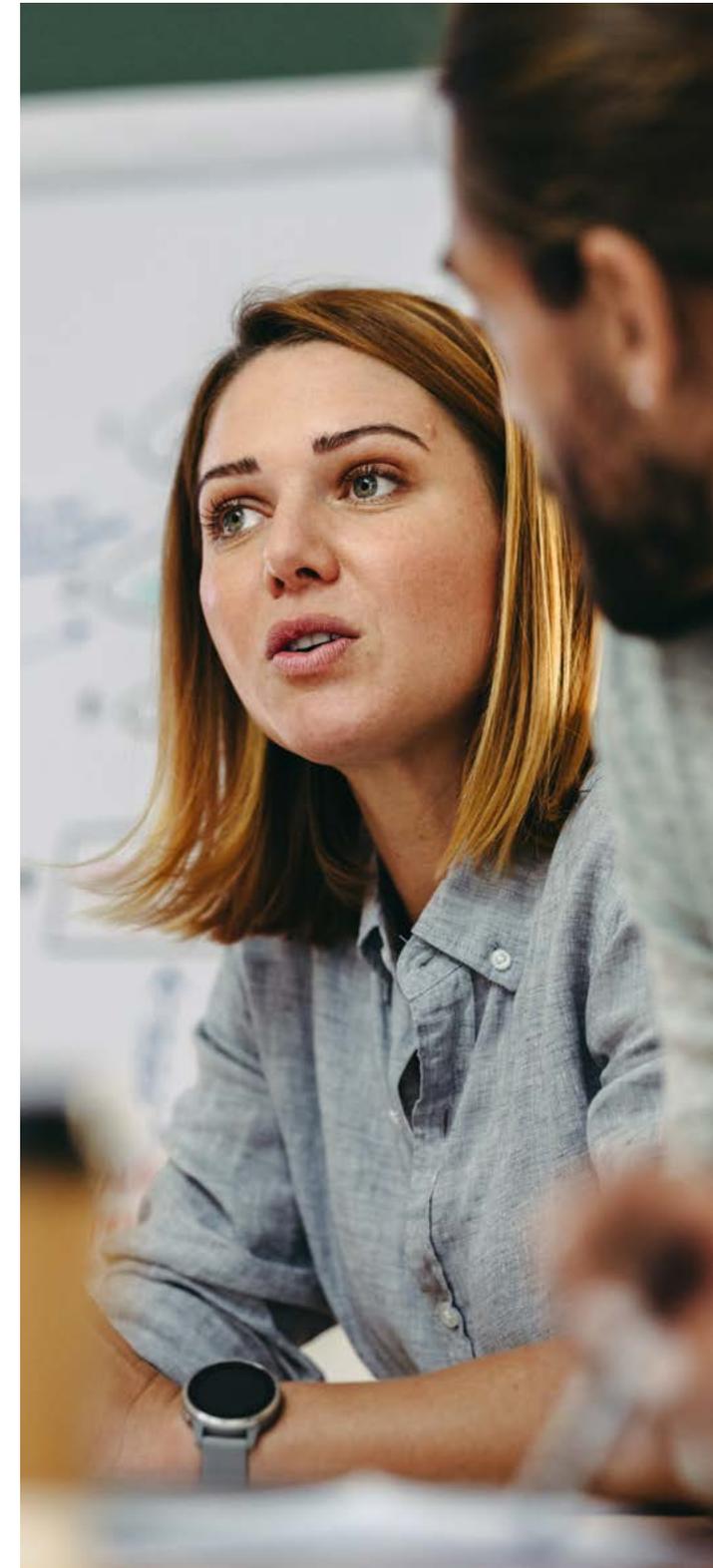
The MGM seeks to propose timely solutions to address those concerns, reflected in action plans which are monitored by the MGM team. More information is available in Spanish, Portuguese, and English. See the [MGM 2022 annual report](#).

## Transparency

IDB Invest prioritizes proactive engagement, operational transparency, and accountability. Our Access to Information Policy reaffirms our commitment to transparency. This policy is governed by the principle of maximizing access to information while understanding the nature and sensitivity of data we receive from clients.

We make information about individual projects available on our [Projects website](#), both before and after approval. This includes client contact information, expected development outcomes, and information on environmental and social issues, including the project's risk classification. For high-risk projects, we additionally disclose the client's environmental and social studies.

Our clients produce and disclose key environmental and social information throughout the investment cycle consistent with the project's environmental and social risk category. For projects where there are affected communities, the client will communicate in formats and languages accessible to such communities, in a manner commensurate with the level of risk. We make additional information about IDB Invest-financed operations available through our Engagement and Response Platform.





## Procurement

We handle all procurement of goods and services in accordance with IDB Invest's rules and procedures for Procurement. In general, IDB Invest conducts two types of Procurement. These are:

- **Corporate Procurement:** for IDB Invest's own internal and institutional needs
- **Project-Related Procurement:** for the design, preparation, execution, supervision, restructuring and evaluation of (a) Financial Solutions or (b) Non-financial Solutions that support IDB Invest's development agenda.

The principles of transparency, fairness, efficiency and value for money guide all our procurement activities.

## Conflicts of interest

IDB Invest has a framework to identify and manage personal conflicts of interest in our procurement process. The IDB Group's internal monitoring systems include an annual declaration of interests by all IDB Group staff, including IDB Invest staff. As part of the declaration, staff are required to disclose their financial assets and liabilities, proprietary interests, and any other actual or potential conflict of interest that might affect their ability to discharge their duties as international civil servants, and to certify their compliance with the Code of Ethics and Professional Conduct.

## Cybersecurity and data protection

We take our responsibility to protect the personal data of our clients, employees, and other stakeholders seriously. As described in the IDB Group's [Personal Data Privacy Policy](#), we are committed to using data in a way that is legitimate, fair, and transparent, to collect information only for specific and limited purposes, to store it safely, and invest in technology and employee awareness to ensure high standards for cybersecurity.

## MANAGING OUR HUMAN CAPITAL

To help solve the most pressing issues affecting our region, we seek diverse creative and talented people. To retain them and support our mission, we offer a range of development opportunities and benefits.

### Helping our team grow and develop

To help our employees develop role and career-related skills and abilities, we offer a wide range of training and development opportunities. Our learning programs cover topics such as leadership skills, emotional wellness, and career growth, and we offer a virtual reality experiential platform to enable employees to test their learning. Through our Advisory Services, our people leaders can also request tailored training for their teams.

In 2022, we provided courses, content, and sessions including:

- Adaptive Leadership and Digital Transformation Program
- IDB Invest’s Impact Management Framework and DELTA Impact Rating System
- IDB Digital Transformation Week
- Business Conflicts of Interest in IDB Invest Operations
- Leader as Coach
- Mitigating Unconscious Bias in the Interview Process
- StrengthsFinder Program
- IT Security Awareness Refresher
- Data Privacy Refresher for the IDB Group
- BankLAC 2022: For a green and digital banking sector
- Investigations of Prohibited Practices
- Ethics Refresher
- Integrity and Reputational Risk Assessment and Mitigation

We also provide special in-depth training for our technical experts. For example, in 2022, we offered ESG-focused employees “deep dive” training on thematic areas of our sustainability policy, including: indigenous communities, reprisal risks, gender training, contextual risk, and security and conflict.

Regular performance and career development reviews are vital components of our approach to managing our human capital. In 2022, 100% of eligible employees received such a review. We also provided 100% of our full-time consultants with role- or contract-relevant feedback.

### Caring for our team

We offer a **wide range of benefits** to support our employees’ well-being. Depending on location and status, these include multiple insurance programs, tax reimbursement, retirement plans, parental leave, as well as health, parking, and commuting support. Our compensation packages also include expatriate, economic, and assignment-related benefits. Furthermore, to promote a healthy work-life balance, we offer a wide range of leave options and support alternative working schedules.

In 2022, almost 50% of IDB Invest employees were also members of the Staff Association, which is an independent entity committed to promoting employee welfare and representing the general interests of its members. Its work includes providing member advisory services, advocating for continuous improvement of working conditions, and promoting activities in the cultural, social and sports fields to enhance member well-being.

In 2022, our staff employees received

# 13,430

hours of training. Our complementary workforce received a total of 2,941 hours of training and we provided 555 hours of training to our contractors.





## ACHIEVING DIVERSITY, EQUALITY, AND INCLUSION AT IDB INVEST

We believe that inclusion in the broadest sense enables companies to create inclusive workplaces where everyone, regardless of their gender, sexual orientation, ethnicity, or physical ability, feels respected and included, and can perform to their fullest potential, helping businesses thrive.

To foster this culture at IDB Invest, we have made a simple and clear promise: we are 100% committed to gender equality as well as diversity and inclusion. Our mission is to make diversity and inclusion “our way” of doing business.

We take part in many of the IDB Group’s DEI initiatives, including our Employment Framework with a Gender Focus. Since 2017, we have attained EDGE (Economic Dividends for Gender Equality) Certification – a prestigious recognition of our efforts to be an equitable workplace. In July 2021, we achieved EDGE Move, the second level certification, reflecting our strong commitment and continual improvement. We are proud that the IDB Group is the second development bank worldwide – and the first in the Americas – to earn EDGE Move.

In collaboration with the IDB Group, we have launched Gender Parity Taskforces in Chile, Argentina, Panama, Colombia, Costa Rica, Dominican Republic, and Ecuador. We are currently developing Taskforces in Mexico and Peru and aim to reach 12 countries by 2025. These public-private partnerships work to increase the number of women in the workforce, bring women into leadership positions, and close the gender pay gap.

As part of our work to increase ethnic and racial diversity at IDB Invest, we participate in the Diversity and Inclusion Advisory Group, headed by the IDB Group’s Executive Vice President, which guides the Group’s efforts in this area.

IDB Invest employees are also eligible to join IDB Group Employee Resource Groups, which work to represent the perspectives of their specific communities. These Groups include:

- Afro Descendant Alliance
- All-in for Disability Inclusion
- IDB Globe for LGBTQ+
- WoMen NET

We also take part in industry working groups such as the Harmonized Indicators for Private Sector Operations gender working group, the Women’s Financial Inclusion Data partnership, and the UN Global Compact’s Target Gender Equality Program.

## OUR ENVIRONMENTAL FOOTPRINT

Beyond financing a portfolio of projects with an increasingly sustainable profile, we are committed to reducing the impact of IDB Invest's own operations. This work includes addressing the energy we consume at our offices, emissions related to business travel, water use, waste generation, and other direct impacts from our work.

To address the impact of our events and partnerships, we incorporate a range of low-impact solutions. For example, in 2022, we made Sustainability Week carbon neutral through offset and recycled materials. See [Accelerating impact at Sustainability Week 2022](#).

We also recognize the importance of transparent, comparable reporting to drive change. We support the work and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and have been making TCFD-aligned disclosures since 2019 in our [Annual Report](#).

### Cutting down on waste

The IDB Group's Corporate Sustainability Program aims to help us reduce the waste we generate and divert unavoidable waste from landfills by reducing single-use products, using compostable items on-site, and promoting reuse and recycling. We also recently installed communal waste stations throughout our headquarters in Washington, D.C.

In 2022, IDB Invest's headquarters produced 35.6 tons of waste, of which 9.2 tons was recycled and 16.2 tons composted. We closely monitor our waste performance through monthly reports and have increased our diversion from landfill from 45% in 2019 to 77% in 2022. We have a set target to achieve a 90% diversion rate from landfill for non-hazardous waste.

In January 2022, IDB Invest launched an in-house GHG emissions and reduction reporting system, tailored to our areas of investment and limited to development-related assets. The system:

- Estimates both construction and operation phase emissions with built-in emissions factors during the due diligence of a project.
- Enables integrated GHG emissions and reductions reporting while the project is part of IDB Invest's portfolio.
- Enhances efficiencies and reduces operational risk.

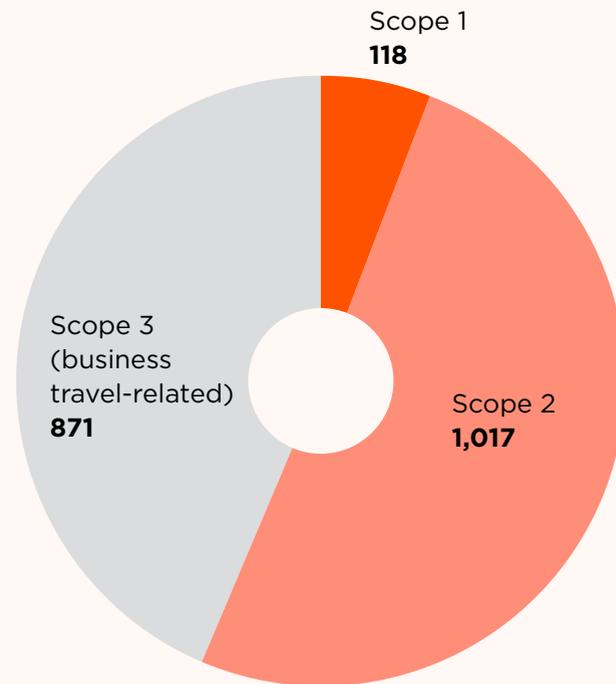
IDB Invest measures absolute GHG emissions of transactions expected to produce more than 25,000 tons of CO<sub>2</sub>e per year, and we request our clients to report performance to us annually. In accordance with our Access to Information Policy, we disclose transaction-specific GHG data as part of the E&S information published for every project.

#### IDB Group's corporate GHG emissions targets and performance

IDB Group has set a target to reduce overall Scope 1 and Scope 2 emissions,<sup>8</sup> covering all facilities and fleet emissions, by 14% by 2023, from a 2018 baseline.



#### 2022 corporate GHG emissions (tCO<sub>2</sub>e)



8. IDB Invest's GHG inventory includes CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O emissions from electricity and fuel consumption and HFC emissions from refrigerant use. We have no emissions of PFCs, SF<sub>6</sub>, or NF<sub>3</sub>.

### Measuring, managing, and reducing our emissions

Recognizing that climate action is not just for our clients, IDB Group was the first multilateral development bank to commit to carbon neutrality, with action to offset corporate activities starting in 2006. In 2019, the Board of Executive Directors approved a target to reduce emissions from facilities and fleet by 14% by 2023. The IDB Group's unavoidable carbon footprint is offset through a series of investments in carefully selected Verified Emissions Reductions projects in LAC, such as a forest-protection project in the Brazilian state of Pará, which the Group supported in 2021.



## OUR NEXT STEPS

In 2023, the countries of Latin America and the Caribbean will continue to face new challenges.<sup>9</sup> Despite a robust post-Covid recovery, poverty levels remain above pre-pandemic levels; high inflation and high interest rates continue to create challenges for consumers and businesses; and governments continue to face fiscal constraints. In this context, a robust private sector will be critical to supporting sustained economic growth. To tackle the increasing risks from the climate crisis and inequalities in our economies, successful growth must also be sustainable and inclusive.

In the context of these challenges, IDB Invest plans to continue enhancing our impact: first by increasing the development effectiveness of our operations and channeling resources to where they are needed the most, and second by increasing the volume of resources we channel to the region through greater ambition in terms of mobilizing private capital and crowding in of private investors to maximize development impact.

We will also continue to support the shareholder priorities for sustainability, focusing on substantially increasing the portion of long-term and short-term commitments allocated to: Small & Island countries, supporting MSMEs, promoting gender equity or diversity, climate finance and, towards increasing the presence of development-related assets in C&D<sup>10</sup> countries by 2025.

We will work more closely across the Bank Group to expand on synergies seizing opportunities to maximize the development impact of IDB Invest operations and initiatives.

In addition to these objectives, IDB Invest will continue to look for opportunities to deepen our commitment to sustainability in everything we do.



9. Galindo, Arturo and Victoria Nuguer. 2023. *Preparing the Macroeconomic Terrain for Renewed Growth: 2023 Latin American and Caribbean Macroeconomic Report*. Washington, DC: Inter-American Development Bank.

10. C&D countries: Group C: Bahamas, Barbados, Costa Rica, Jamaica, Panama, Suriname, Trinidad & Tobago, Uruguay; Group D1: Belize, Dominican Republic, Ecuador, El Salvador, Guatemala, Paraguay; Group D2: Bolivia, Guyana, Honduras, Nicaragua, Haiti.

