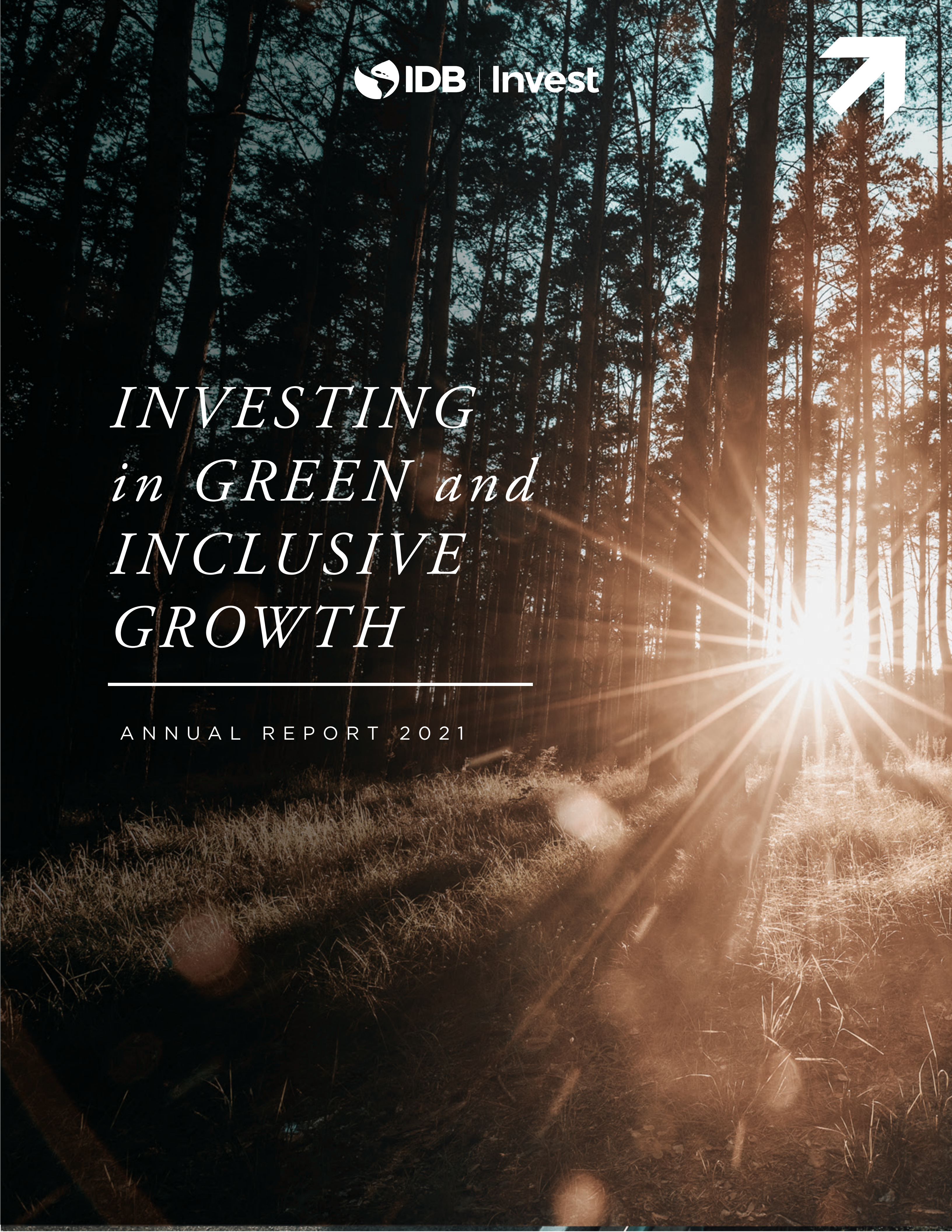


IDB Invest

INVESTING in GREEN and INCLUSIVE GROWTH

ANNUAL REPORT 2021

CONTENTS

The operational data presented in this document is based on the combined non-sovereign guaranteed portfolio of the Inter-American Development Bank (IDB) and IDB Invest, referred to together as IDB Group for the purposes of this Annual Report. The financial highlights, financial results and financial statements in Appendix I refer to IDB Invest only.

CHAIRMAN's LETTER of TRANSMITTAL

To: Chairperson, Board of Governors
Inter-American Investment Corporation (IDB Invest)

Chairperson:

I am pleased to present the Annual Report for the year 2021, along with the financial statements for the years ending on December 31, 2021, and 2020, pursuant to the provisions of the agreement establishing the Inter-American Investment Corporation, whose brand is IDB Invest.

Latin America and the Caribbean (LAC) is slowly mending from a crisis that threatens earlier efforts to set the region on a path towards greater economic and social progress. A strong, sustainable, and more inclusive recovery requires key contributions from the private sector, the main driver of economic activity and employment in the region, and higher levels of investment to trigger innovation and build up capital needed for long-term development.

IDB Invest is in a unique position to help LAC countries meet this critical challenge through the private sector. Through our Vision 2025, a roadmap to accelerate the region's recovery and enable sustainable, inclusive growth, we are focused on five priority areas: climate action, gender and diversity, small and medium-size enterprises (SMEs), the digital economy and regional integration and value chains.

A couple of examples illustrate how this strategy guides our work:

In our region, climate change deepens inequalities, hitting hardest those with fewer resources underlining the need for alternatives to respond to climate risks and build resiliency, including SMEs. At COP26 in Glasgow, we announced our commitment to align our portfolio to the Paris Agreement by 2023, by investing in projects that contribute to reversing the negative trends of climate change and mobilizing private capital through innovative financial solutions.

Women and minorities were disproportionately affected by the pandemic, a fact that demands an emphasis on redressing inequality and practicing what one preaches: our own efforts towards creating an equitable workplace were rewarded when we became the first development bank in the Americas to earn the prestigious EDGE Move global certification.

The year-end results show that IDB Invest surpassed its targets in the face of complex challenges, delivering a record volume in financing to the region. Commitments totaled $6.3 billion, while core mobilization reached $3 billion, a record milestone. It closed 2021 with a combined portfolio of $10.9 billion in development assets.

Those results confirm that IDB Invest remains the multilateral partner of choice for LAC's private sector at a time when mobilizing more capital from investors seeking higher returns and sustainable impact is a pressing and very demanding task.

As President of the IDB and Chairman of the Board of Executive Directors of IDB Invest and of the Donors Committee of IDB Lab, I am committed to strengthening the IDB Group's capacity to promote development through the private sector, a critical stakeholder in building a sustainable recovery for the region. Working together with our clients and partners, we will fulfill the objectives set in our Vision 2025, so we can serve our ultimate mission of improving lives.

Sincerely,

Mauricio Claver-Carone

LETTER from the CEO

Latin America and the Caribbean now faces a crossroads where we must work to optimize the many opportunities to build a different and better world.

We all want a fairer, more sustainable region, more committed to nature, more inclusive, with a better balance between rural and urban areas, with respect for minorities and in which gender equality is defended. The question is how to get there.

During 2021 IDB Invest played a very active role in pursuing such goals. As a development bank, we used our capital and mobilized additional resources to invest in private sector projects to accelerate sustainable economic growth and inclusion.

In the second year of the pandemic, our institution surpassed all its operational goals, delivering our highest-ever lending volume to the region.

That's a track record we want to build upon; but there's more to come.

Our achievements in 2021 provide us with a vantage point to focus on pillars that are particularly important for Latin America and the Caribbean: promoting a sustainable financial sector, mobilizing resources for the real economy, and developing smart and resilient investments in the face of climate change.

We worked to create innovative solutions and to structure new financial assets to bring them to market, while connecting investment opportunities in the region with investors' risk and reward expectations.

Furthermore, our experience in partnering with banks, large corporations and investors allowed us to support small and mid-sized companies, the backbone of the region's economy.

All these related concepts are very important in facing major challenges such as the climate crisis. We are helping the financial sector develop, launch and scale up new sustainable products for investment that will enable the region to achieve a net zero-emissions target.

IDB Invest is trailblazing in the sustainable investing space in LAC, having supported 30% of green, social and sustainable bonds in the region and backing many first-of-its-kind bonds in nine countries: Mexico, Ecuador, Uruguay, Argentina, Brazil, Colombia, Costa Rica, Peru, and Panama.

Following our mandate to lead by example, at the COP26 in Glasgow we announced the issuance of LAC's first blue bond to support clean water and ocean conservancy projects. For a region with more than 25% of its population living in coastal areas, this was an important milestone.

In renewable energy, we debuted the world's first pilot project to monetize the cost of decarbonization through a project with ENGIE, a power generation company in Chile. Additionally, we launched the world's first certificate for green transmission lines in Uruguay, an innovative solution that will attract new investors seeking profitability through more sustainable electricity transportation projects.

In gender, diversity and inclusion (GDI), we surpassed our targets with more than 50% of the projects advancing such efforts. In 2021 we began to use performance-based incentives to pursue GDI goals. For example, Atlas, a renewable energy company in Brazil, committed to employing more Afro-descendants and hired more than 1,000 workers of this historically disadvantaged group.

Our GDI advisory services are now a common component in deals, and help companies develop ambitious strategies on that front.

Through our Vision 2025, we adapted our strategy to meet the evolving needs of our clients and focus on priorities such as narrowing the credit gap for micro, small and medium-sized enterprises, unlocking climate financing, increasing gender and diversity investments, accelerating digitalization, catalyzing regional value chain deals, and mobilizing capital for sustainable infrastructure.

Above and beyond the capital we provide, our knowledge of and our experience in LAC sets us apart. We can be more effective and deliver greater impact by playing a more active role as a convener.

By strengthening our focus in connecting assets with markets, we can help fulfill the growing appetite among international investors for sustainable investments. The time is now to invest in a green and inclusive future for our region.

Sincerely,

James P. Scriven

INVESTING in GREEN and INCLUSIVE GROWTH

Operational Highlights

During the second year of the pandemic, LAC faced the daunting task of recovering from the worst socio-economic crisis in more than a century.

Given the disproportionate impact of the crisis on vulnerable populations, increased risks from climate change, and public sector constraints in confronting these challenges, a successful recovery must be a sustainable and inclusive one – and private-sector led.

At our 2021 Annual Meeting in Barranquilla, IDB President Mauricio Claver-Carone outlined our Vision 2025, a roadmap to accelerate the recovery and achieve sustainable, inclusive growth.

To meet this challenge, we honed in on five opportunities: taking bolder climate action, promoting gender equity and inclusion, deepening regional integration and strengthening value chains, promoting a digital economy, and supporting small and medium-sized firms to narrow an estimated $1 trillion financing gap.

Our sustainable investment approach is key for this action. To maximize our impact, we select the most suitable clients & partners and leverage our sector knowledge and our products & services expertise to create value propositions underpinning solutions that meet our clients´ needs while helping them embed sustainability in their strategy and operations.

Despite challenging market conditions, IDB Invest continued to deliver a counter-cyclical response to the region and attracting external capital through core mobilization.

Moreover, we executed 100% of our 2021 global funding program under the newly launched Sustainable Debt Framework. This speaks to IDB Invest's commitment to environmental and social impact and sparked interest among investors considering Environmental, Social and Governance (ESG) factors around the world.

We also increased the use of innovative financing to draw new investors to the region, including the issuance of the first blue bond in LAC to support clean water and ocean conservancy projects.

By the end of the year, IDB Invest met all operational goals to support the region as it transitioned from crisis to recovery. Total commitments reached $6.3 billion, and core mobilization reached a record-breaking $3 billion. Moreover, we surpassed most of our sustainability targets: Gender 50%, SMEs 37%, and Digitalization 18%. In terms of climate, 53% of our long-term transactions included a climate component, above the 40% target; this represented 31% of our long-term commitments and 23% of our total commitments, below our 30% target for total commitments.

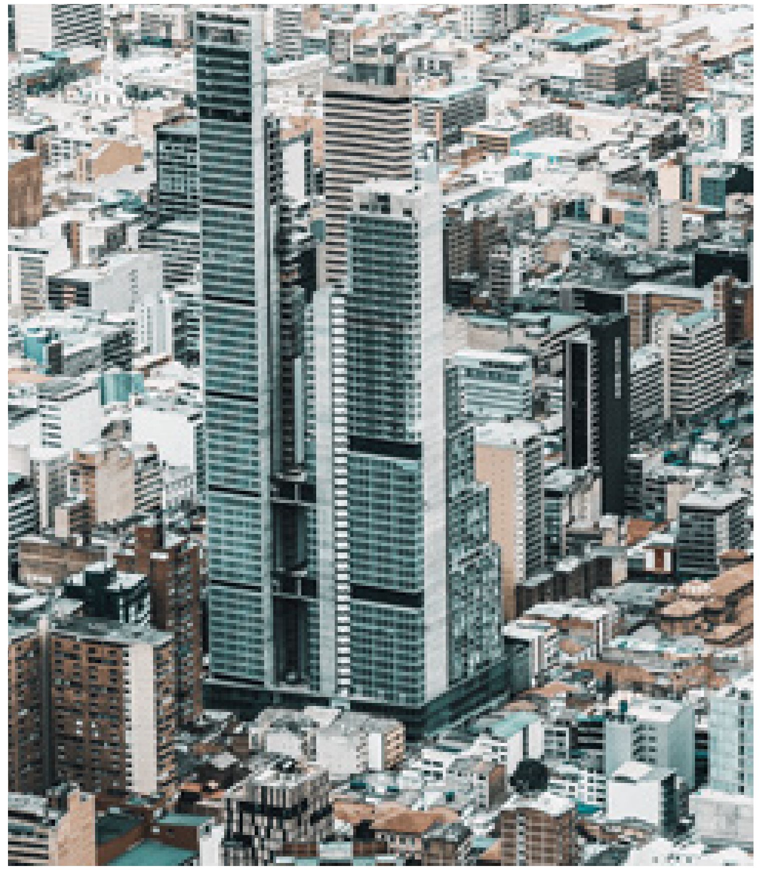
Vision 2025 is helping us lay a foundation for long-term, inclusive and sustainable growth in LAC. An increase in the IDB Group's financial capacity, so that it can strengthen its value proposition to effectively address the region's historical development challenges, would multiply our impact.

IDB Invest reached three major milestones in 2021 that will help it strengthen its profile as a sustainable supranational issuer:

- Standard & Poor's raised its long-term credit rating for IDB Invest to AA+ from AA, citing its consistent track record in executing its expanded mandate and strengthened operation capabilities, risk practices and systems.

- IDB Invest established a Sustainable Debt Framework and executed its entire 2021 funding program under it, including its inaugural sustainable debt listed on the London Stock Exchange at $1 billion. The framework adheres to the green and social bond principles and guidelines espoused by the International Capital Markets Association.

- IDB Invest issued the first blue bond in LAC, an AU$50 million *(approximately $37 million),* 10-year bond, to support clean water and ocean conservancy projects.



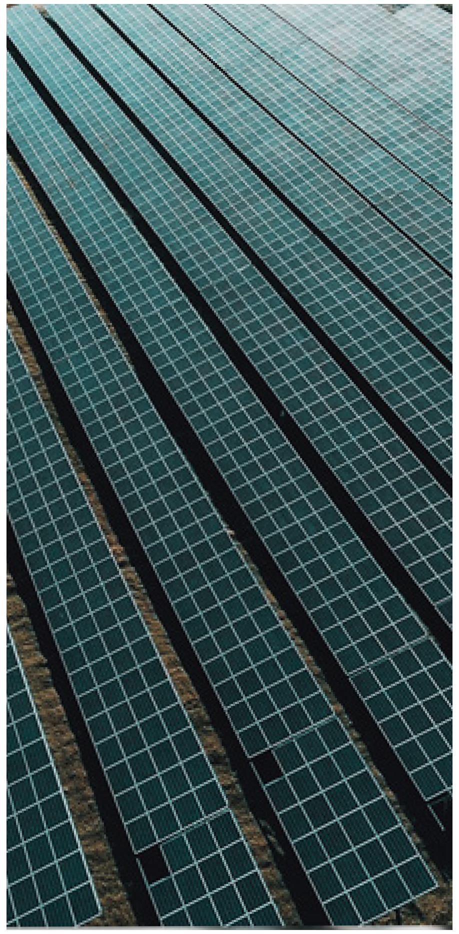
HIGHLIGHTS *by* SECTOR

Infrastruture

The pandemic continued to affect the development and implementation of infrastructure projects across LAC. Certain categories of infrastructure, mainly those exposed to demand risk, such as airports, ports and toll roads, were considerably impacted. Supply-chain disruptions, labor constraints and temporary work stoppages caused delays and cost overruns in construction.

Projects that were in pipeline or under construction before the pandemic have largely continued; however, in many cases, ongoing market uncertainty slowed the structuring of new projects. Additionally, the effects of the pandemic and uncertainty related to the region's economic recovery are causing sponsors of large projects to delay their investment decisions.

IDB Invest's expertise in the infrastructure and energy segments enabled it to continue structuring groundbreaking solutions to respond to challenges caused by the pandemic. That includes projects like a floating storage regasification unit in El Salvador. Among the standout deals:



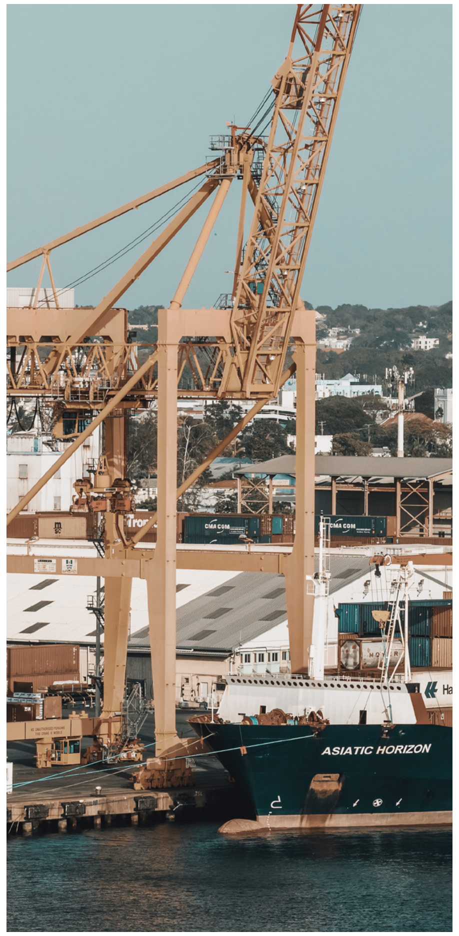
WORLD's FIRST CERTIFICATE for GREEN TRANSMISSION LINES

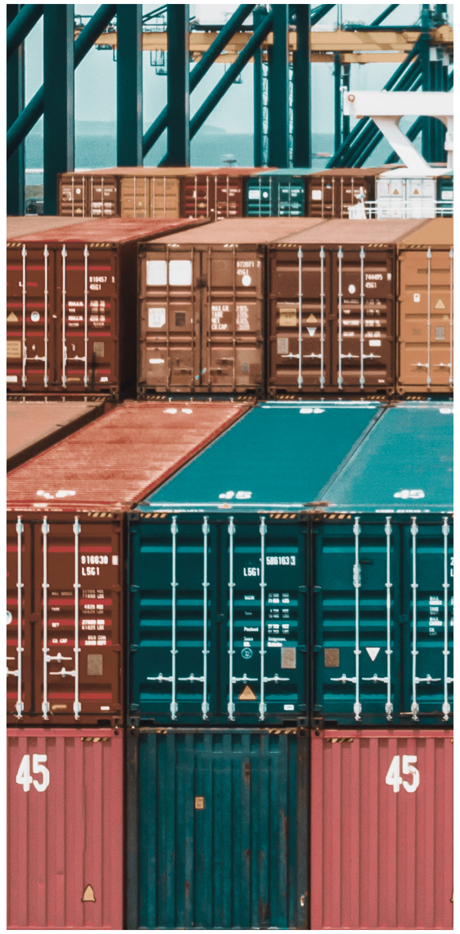
IDB Invest provided an innovative solution in financing the Tacuarembó-Salto transmission line in Uruguay, which became the first project to receive IDB Invest's pioneering green transmission line certificate. This investment will help strengthen the national transmission system and incorporate additional renewable energy generation capacity in the country.

FIRST LIQUIDITY SOLUTION for CHILE's ENERGY SECTOR

Following a new regulation in Chile that froze electricity rates in pesos, IDB Invest provided a liquidity solution for generators by acquiring credit rights in the form of accounts receivable recognized by the National Energy Commission.

To monetize these credit rights, IDB Invest structured supply chain finance and capital markets solutions that mobilized resources from international investment banking partners, reducing the pressure for rate increases for end-consumers in the local market.





FIRST INVESTMENT in BARBADOS: PORT of BRIDGETOWN

During 2021, IDB Invest committed a loan to Barbados Port Inc. to fund capital improvements to one of its main berths, as well as to install a waste-to-energy system and increase the port's access to renewable energy. This is the first investment of IDB Invest in Barbados since consolidating its private sector offerings in 2016, underscoring the IDB Group's commitment to increase its footprint in the small and island countries of the Caribbean.

PROJECT BOND to FINANCE PARAGUAY's FIRST PPP

IDB Invest provided an innovative financial structure for the Ruta 2 and Ruta 7 toll roads in Paraguay, that will help reduce travel times and costs as well as improve road quality and safety. The fresh financing complements the original financial package from 2019, better reflecting construction progress to date through a bond designed to attract investors who typically don't take on construction risk.

INCREASING INTEGRATION through COLOMBIAN PORT

IDB Invest supported a project for the construction, operation and maintenance of Puerto de Antioquia in Colombia, a new multipurpose port facility that will strengthen the country's foreign trade, particularly benefiting rural producers by boosting their exports' competitiveness and expanding their presence in international markets.

Financial Institutions

Financial systems across the region proved to be resilient as the recovery got underway, carrying high liquidity, remaining well capitalized, and carefully planning funding strategies to support portfolio growth. On the investment funds side, we witnessed an increasing appetite for new fund launches focused on sustainability, MSMEs and digitalization.

During 2021 more financial institutions embraced sustainable financing as a key component of their business strategy. IDB Invest continued to play a leadership role by creating integrated value propositions to help clients advance this agenda and create capabilities for an effective sustainable transformation of the financial sector.

Demand to address the MSME financing gap continued to be strong and will be key during the recovery. The pandemic also accelerated the financial sector's digital transformation, which will provide new opportunities to contribute to the financial inclusion of underserved segments. Standout deals included:

INCREASING ACCESS to the DIGITAL ECONOMY in BRAZIL

IDB Invest supported Banco PAN (Brazil) through a loan and mobilization efforts to increase financing and access to digital financial products and services to low-income individuals. The project is also expected to make a positive economic contribution by promoting lending to microentrepreneurs and underserved segments such as retirees.

INVESTING in INCLUSIVE BANKING in PERU

IDB IDB Invest experienced an increasing market demand for financial products supporting gender equity, diversity, and inclusion. For example, the local currency financing to Peru's Caja Municipal de Ahorro y Crédito Cusco will benefit women business owners and improve services for indigenous populations. The deal will also provide advisory services to Caja Cusco to define a strategy to scale up MSME agricultural output for indigenous and traditional populations.

DIGITAL DISRUPTION

IDB Invest explored several opportunities for partnering with traditional and non-traditional financial institutions that are leveraging digital technology to improve products and services that attend underserved populations. For example, IDB Invest took an equity participation in Kubo Financiero (Mexico), a leading digital-first financial services disruptor offering a wide range of financial services to customers – and a company that had earlier received a grant and a loan from IDB Lab to test and improve its business model. In addition, a loan to Argentina's Banco Comafi will support technology modernization initiatives benefiting the SME segment.

GREEN CONSTRUCTION

During 2021, the development of capital markets in the region and the focus on supporting the thematic bond asset class continued to be a priority through financial intermediaries. At COP26, we announced a loan to Guatemala's Banco Agromercantil to promote green construction and mobility projects, and a green bond from Sicredi, a leading Brazilian cooperative financial institution, was structured and subscribed to continue supporting the green agenda.

CLOSING FINANCING GAPS

To continue diversifying its client base, IDB Invest supported specialized non-banking financial institutions with a clear commitment to financial inclusion in countries such as Peru, Brazil, Colombia, Guatemala, Chile, Mexico, Panama and El Salvador. We also continued work with fund managers to contribute to the reduction of the main financing gaps and renewed its active strategy with Fund Managers. For example, IDB Invest invested in CASEIF IV L.P., a new mezzanine debt and private equity fund managed by LAFISE Investment Management Ltd. that will provide mezzanine financing and equity for high-growth potential mid-sized companies in Central America, Panama, the Dominican Republic, as well as in Colombia.

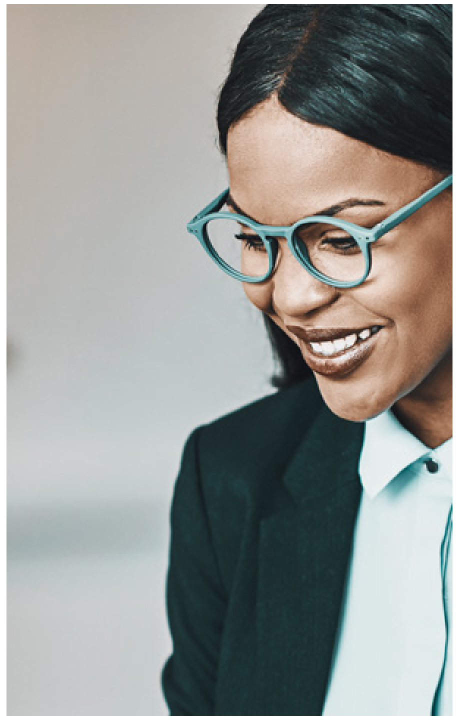
Corporates

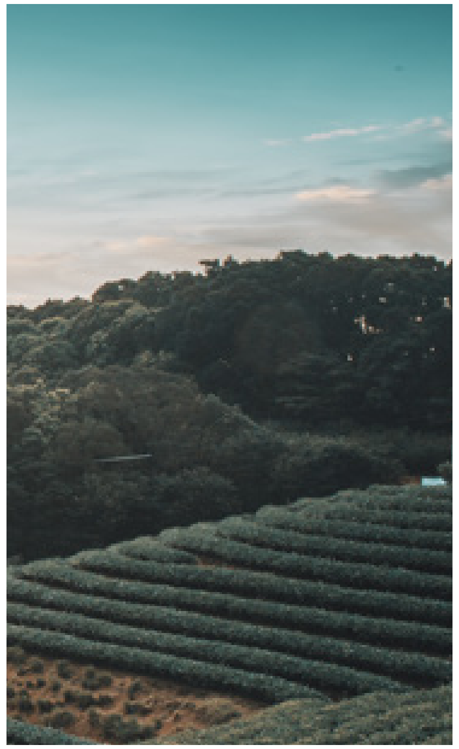
IDB Invest contributed to supporting investments, job creation and sustainable business models in a variety of sectors including agribusiness, manufacturing, telecommunications, media and technology, and tourism.

We experienced increased demand from companies striving to address the impact of climate change in areas such as smart-agriculture, circular economy, electromobility, and energy efficiency, among others. IDB Invest's integrated value proposition and experience in these agendas have been of key relevance.

We prioritized projects that supported regional integration and value chain activity, aligned with Vision 2025, fostering growth in exports, trade, and services that promote job creation. Also, IDB Invest continued supporting liquidity needs across major anchor companies participating in the account payables program. Complementing those efforts, several new working capital facilities were structured to provide support to existing value chains and address short-term financing needs.

Digitalization was also a key priority addressed not only through activity in the Telecom, Media and Technology sector, but also via equity investments across the retail and agribusiness sectors. These were often implemented using digitally-enabled business models.





Agribusiness

Agribusiness was relatively less impacted by the COVID-19 pandemic, as demand for primary products remained strong. Nevertheless, the sector continued experiencing logistical problems and disruptions in the workforce.

Several companies put on hold their long-term investment plans and experienced a diminished risk appetite from commercial banks that traditionally financed the sector. In this context, companies continued their efforts to diversify their client base.

IDB Invest supported the demand for capital expenditures in climate-smart agriculture projects to expand production capacity, increase productivity and promote international expansion.

A FRESH IDEA for FINANCING PRODUCE FARMERS

Producepay's founder, Pablo Borquez Schwarzbeck, had first-hand knowledge of the obstacles produce growers face way before he founded his agtech platform while pursuing an MBA degree at Cornell.

Not only has his family been farming in Mexico for four generations; he also worked with growers who found it impossible to gain access to the kind of financial solutions that grain farmers and cattle ranchers have enjoyed for ages. Since fruits and vegetables are highly perishable and it's hard to get reference prices, banks typically are reluctant to recognize such crops as collateral, which limits farmers' ability to use credit to run and expand their businesses.

Borquez's startup sought to solve that specific financing problem as well as to address the lack of up-to-date, standardized data on produce prices. In the absence of such information, even the most willing lender would have difficulties determining how much money to advance to a borrower. As if those two hurdles weren't high enough, Producepay set its sights on a third and even loftier one: creating a digital marketplace for produce growers from around the world to access the enormous market for fresh fruits and vegetables in the United States.

In the seven years since the company was started, Producepay has made great strides. So far it has supplied more than $3 billion in financing to clients in eight countries. It has also developed daily market reports on a range of highly demanded fresh fruits and vegetables. And it is striving to "digitize" the produce trade, connecting growers with distributors and retailers via its agtech platform.

As part of its expansion plans, Producepay decided to hire more people for its sales and marketing teams in the regions where it operates. To that end, in 2021 it raised $43 million from venture capitalists, including $6 million from IDB Invest.

"With our support, Producepay will develop strong social and environmental safeguards plus a sustainability strategy for its operations as well as make improvements to its corporate governance, building on its reputation as a trusted partner for all participants in the produce value chain," said IDB Invest project team leader Carlos Narvaez.

Manufacturing

LAC's manufacturing sector continued facing a very challenging environment, with new investments being delayed as demand showed mixed behaviors. Many players experienced supply-chain disruptions and human-resource constraints, but some specific industries saw stronger demand, including pharmaceuticals and retail businesses.

IDB Invest continued identifying those projects with solid bases for new capital investments and committed to sustainability and ESG factors, as well as providing liquidity relief to MSMEs through short-term products such as account payables/reverse factoring facilities.

In this context, manufacturing projects continued supporting job creation, value chains mostly composed by MSMEs, productivity gains, improved energy efficiency, social housing, regional integration, and exports increase. Some examples included:

STRENGTHENING VALUE CHAINS

Manufacturing supported the objective of strengthening regional value chains with projects in the pharmaceutical subsector such as Calox in Costa Rica and Procaps in Colombia. Another example of the focus on job creation and internationalization of businesses is the financing to Masisa, a Chilean wood products company that also operates in Mexico and Argentina, with commercial presence in many other markets. IDB Invest will contribute to develop a Circular Economy Strategy to enhance adoption of circular and sustainable solutions in Masisa's product catalog.

SUPPORTING URBAN DEVELOPMENT

In Mexico, IDB Invest provided working capital financing to GIM Habitacional with the objective of promoting access to affordable housing through a greater supply of social and middle-income housing. In Peru, our recent financing deal with Menorca targets urban site development and low-cost housing projects for low- and middle-income families.

Digitalization

During 2021, the Telecommunications, Media and Technology sector experienced an important opportunity for growth as the pandemic pushed consumers and corporations to increase online interactions, prompting a historical boom within the digital ecosystem throughout the region.

Social distancing requirements imposed by the pandemic and the faster pace of technology adoption by end-consumers and corporations favored the consolidation of tech-enabled business models that contribute to increasing productivity, innovation and better access to services and transformation.

IDB Invest continued supporting disruptive digital-first business models across LAC. For example:

RETAIL DIGITALIZATION

Through an equity investment in RecargaPay, a FinTech in Brazil that enables digital payments for consumers, IDB Invest aims to accelerate the adoption of digital payments, particularly among underserved sectors. Additionally, through an equity investment in Merqueo in partnership with the Clean Technology Fund, IDB Invest supports the expansion plans of one of the largest full-stack grocery delivery players in LAC.

DISRUPTIVE BUSINESS MODELS

A recent follow-on investment in Frete.com to supplement our first investment made in 2020 led to a valuation of more than $1 billion for the leading freight marketplace in South America. The investment highlights the relevant continuum and strong synergies that exist between IDB Lab and IDB Invest. The company is being supported by the Valor Capital family of funds, in which both IDB Lab and IDB Invest are involved. Similarly, Frete has NXTP I (a historical portfolio investment of IDB Lab) as an early investor. Such a combined approach was instrumental to our successful positioning in this disruptive logistics marketplace.

TELECOM INFRASTRUCTURE

Another key priority to unlock the benefits on increasing digitalization is to finance the evolution of the telecommunications infrastructure, with transactions like QMC Regional Facility, which supports investments in towers, distributed antenna systems, and street level solutions in Mexico, Colombia, and Peru. Similarly, in Ecuador, IDB Invest mobilized resources to promote the shared telecommunications infrastructure market with Phoenix Tower International. The project will improve the sector's productivity and contribute to reducing the connectivity gap in Ecuador, through increased mobile broadband networks and reduced operator costs.

Tourism

Tourism continues to be one of the most affected sectors in LAC given the lingering effects of the pandemic. Border restrictions, business closures and uneven vaccination rates throughout the region are still curbing consumer confidence and resulting in reduced international travel.

However, the industry reached an important inflection point in 2021 and started to experience a gradual improvement in fundamentals, driven in particular by domestic leisure travel and increased vaccination rates. With a return of corporate and group travel, the tourism sector is anticipated to continue on a recovery path.

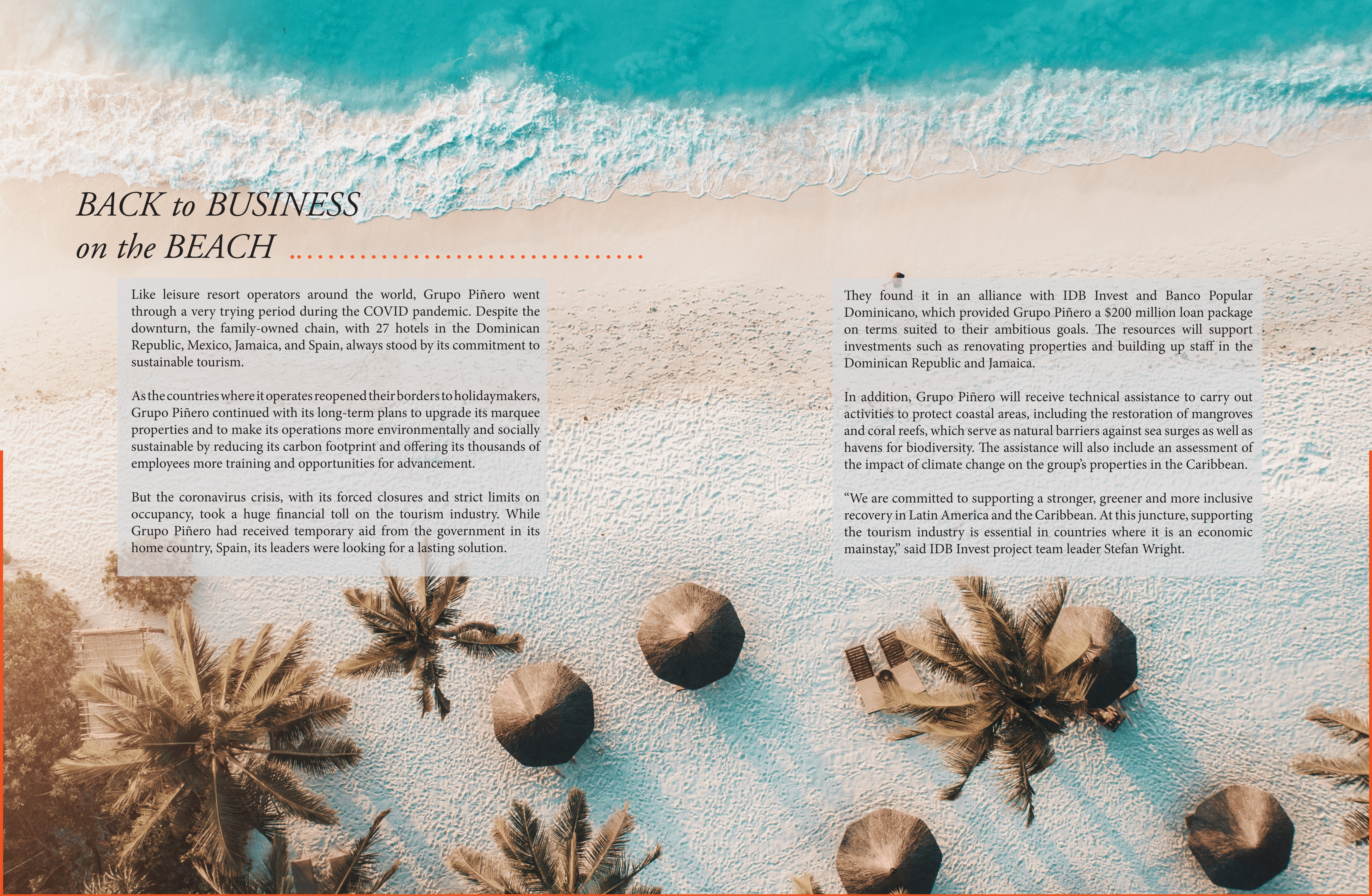
Nevertheless, in the short-term, liquidity needs across the entire tourism value chain persist, while traditional commercial banks have remained averse to increasing their exposure to tourism given the uncertain environment. This resulted in IDB Invest adjusting its tourism strategy to focus on: (1) supporting working capital needs of regional tourism portfolios so that they can remain solvent and reopen their operations, and (2) incentivizing local commercial banks to continue to support the liquidity needs of tourism businesses by offering sovereign and private sector guarantees.

SMALL and ISLAND COUNTRIES

IDB Invest has an express mandate from its Board of Governors to step up its activities in countries that historically received less lending from the IDB Group's non-sovereign guaranteed operations. An emphasis is placed on projects with potential to help small and medium-sized businesses boost their productivity as well as to address different social and environmental challenges, ranging from gender equity to climate risks.

During 2021, long-term commitments for projects in Small & Island Countries were $213 million. This financing represented 7% of IDB Invest's total commitments, under the 10% institutional goal. Some of the notable deals closed during the year were:

- SEAF Caribbean SME Growth Fund. IDB Invest provided $10 million in financing for SEAF, an impact investment firm specialized in emerging and frontier markets. The fund will focus on SMEs with potential to generate economic growth and yield social and environmental benefits. A complementary CAD$10 million contribution of blended finance from a Canadian government fund will help businesses invest in climate resilience and risk mitigation or cover post-disaster recovery expenditures. This operation was particularly timely as the Caribbean was one of the regions hardest-hit economically by the pandemic.
- JMMB Bank. A $35 million loan from IDB Invest, coupled with $31 million in additional financing mobilized from impact investors such as BlueOrchard Finance, Symbiotics and responsAbility, will enable this Jamaican commercial bank with a long tradition of working with female entrepreneurs to expand its credit services for SMEs, as well as to diversify its funding sources. As part of the project, JMMB Bank will also develop and adopt an environmental and social management system, as well as bolster its talent recruitment and retention policies.
- IDB Invest is also committed to addressing the particular ESG challenges of Small and Island Countries such as the practice of de-risking, which can deprive them of access to international banking services. For example, in 2021 it assisted ACME, a Haitian microfinance institution, in strengthening its compliance program and its capacity to identify and deal with money laundering and terrorism financing risks. For example, in 2021 it assisted ACME, a Haitian microfinance institution, in strengthening its compliance program and its capacity to identify and deal with money laundering and terrorism financing risks.



BACK to BUSINESS on the BEACH

Like leisure resort operators around the world, Grupo Piñero went through a very trying period during the COVID pandemic. Despite the downturn, the family-owned chain, with 27 hotels in the Dominican Republic, Mexico, Jamaica, and Spain, always stood by its commitment to sustainable tourism.

As the countries where it operates reopened their borders to holidaymakers, Grupo Piñero continued with its long-term plans to upgrade its marquee properties and to make its operations more environmentally and socially sustainable by reducing its carbon footprint and offering its thousands of employees more training and opportunities for advancement.

But the coronavirus crisis, with its forced closures and strict limits on occupancy, took a huge financial toll on the tourism industry. While Grupo Piñero had received temporary aid from the government in its home country, Spain, its leaders were looking for a lasting solution.

They found it in an alliance with IDB Invest and Banco Popular Dominicano, which provided Grupo Piñero a $200 million loan package on terms suited to their ambitious goals. The resources will support investments such as renovating properties and building up staff in the Dominican Republic and Jamaica.

In addition, Grupo Piñero will receive technical assistance to carry out activities to protect coastal areas, including the restoration of mangroves and coral reefs, which serve as natural barriers against sea surges as well as havens for biodiversity. The assistance will also include an assessment of the impact of climate change on the group's properties in the Caribbean.

"We are committed to supporting a stronger, greener and more inclusive recovery in Latin America and the Caribbean. At this juncture, supporting the tourism industry is essential in countries where it is an economic mainstay," said IDB Invest project team leader Stefan Wright.

SUSTAINABILITY and IMPACT

Sustainability is a core value at IDB Invest and a key component to building back better in the region's economic recovery. It cuts across every sector, whether we are expanding access to credit for women entrepreneurs, supporting climate-smart agriculture, or financing resilient infrastructure.

By working with clients and investors to put sustainability into practice, we are helping them become more profitable over time and reinforcing our commitment to increasing development impact. We're part of a transition to an economy that delivers returns while fulfilling a role in society.

Advisory

In 2021, we consolidated our non-financial offerings to better serve our clients and achieve greater impact in development. In alignment with our Vision 2025, IDB Invest's advisory services are focused on key topics: climate change; gender, diversity and inclusion; MSMEs; digitalization; public-private partnerships; environmental and social risk management, as well as corporate governance and transparency.

Working at a market level, IDB Invest's advisory services seek to drive development agendas, address market gaps and build up skills that can benefit entire business sectors. For example, in 2021 we partnered with 18 stock exchanges to promote gender-lens investing as a means to increase gender equality in the private sector.

During 2021 IDB Invest initiated a total of 86 new advisory services, pursuing goals as diverse as helping clients adopt digital solutions to improve access to finance for under-served populations or to enhance the traceability of ESG issues across complex supply chains.

Climate Action

As part of IDB Group's commitment to align our portfolio to the Paris Agreement by 2023, we are working with clients and investors to unlock climate finance and drive climate action in the region.

In 2021, this included applying the Climate Risk Assessment methodology during due diligence in 40 projects. We also built capacity with clients on integrating physical climate risk management within environmental and social management systems.

For the first time, IDB Invest supported the construction of renewable energy projects in Peru, Colombia and Jamaica, financing wind, solar and distributed generation projects. Also, during the year IDB Invest further expanded its portfolios in Brazil and Mexico through the support of new renewable energy investments.

Another key area of activity is helping LAC financial institutions grow green portfolios, reaching a total of 45 green lines in 16 countries of the region. In Guatemala, for example, we helped Promerica conduct an in-depth diagnosis to better understand the barriers and drivers for MSMEs to apply for green loans.

Gender, Diversity and Inclusion

IDB Invest is committed to working with its clients to strengthen gender equality and promote the inclusion of members of groups such as Afro-descendants, indigenous and traditional peoples, persons with disabilities and individuals in the LGBT+ community.

IDB Invest advances this agenda by developing tools to improve markets, fostering financial innovations, generating and disseminating more knowledge, and by putting together broader partnerships.

IDB Invest is a pioneering promoter of social bonds, assisting many clients in tapping impact-driven investors, and is working with various global supply chains to expand opportunities for women-owned or led businesses to gain access to local and export markets.

In addition, IDB Invest has started to use performance-based incentives to pursue diversity and inclusion goals, for example in the case of Brazil's Atlas.

A CALLING to SERVE BUSINESSES

With nearly 140,000 employees, Atento is one of the world's largest customer relationship management and business process outsourcing companies. Although it serves the global market, its operations are largely concentrated in Latin America.

The company, which is present in Argentina, Brazil, Chile, Colombia, El Salvador, Costa Rica, Guatemala, Mexico, Panama, Peru, and Uruguay, frequently shows up at the top of lists of best places to work for in the region.

One of the reasons for Atento's stellar reputation is the opportunities it provides women, who make up 64% of its workforce. Under a project backed by a revolving credit facility of up to $50 million from IDB Invest, the company plans to pursue an EDGE certification, the leading assessment standard for gender equity and inclusion in the workplace.

In turn, the financing from IDB Invest will enable Atento to replace shorter-term obligations with longer-maturing debt as well as provide working capital for new service contracts that will demand hiring and training more staff, expanding call centers and acquiring IT equipment.

Atento also plans to step up its investments in developing next generation services involving technologies such as artificial intelligence, data science, automation, and machine learning.

"This is our initial deal in the BPO/CRM arena, and we expect it will be the first of many investments to promote nearshoring and the export of business services from Latin America and the Caribbean," said IDB Invest project team leader Daichi Tsuchihashi.

"There are huge opportunities to capitalize on the trend towards digitalization as well as to help firms gain efficiency and productivity through more responsive customer service and process automation."

Environmental, Social and Governance (ESG)

IDB Invest is a market leader in integrating ESG sustainability solutions throughout the investment process.

In 2021 we strengthened our sustainable value proposition through the rollout of our new Environmental and Social Sustainability Policy and proactively scaled up engagement with clients, investors and development practitioners to mainstream the adoption of state-of-the-art ESG practices.

We conducted ESG due diligence for more than 80 new projects in 2021, helping clients embed data-driven decision-making tools in their business strategies and adopt solutions to improve their sustainability performance.

In addition, IDB Invest developed knowledge products to raise awareness, provide guidance and enhance clients' capacity to deliver sustainable performance.

Managing Impact

Impact is at the core of IDB Invest's mission of promoting sustainable and inclusive development. In recent years, appetite for investing for impact has grown substantially. At the same time, the need for common impact measurement standards has become essential for a broad range of actors dedicated to mobilizing resources for development.

IDB Invest's end-to-end Impact Management Framework serves as an industry benchmark in how to monitor, measure, and evaluate the development impact results of projects. Our DELTA tool, for example, measuring and monitoring the impact of projects before and during each stage of their operating cycle, is not only useful to us to analyze the effectiveness of our financing decisions, it has also become a reference metric for other institutions and corporations committed to development.

As a signatory of the Operating Principles for Impact Management, which helps guide investors and other parties interested in analyzing impact throughout the entire lifecycle of development projects, IDB Invest publishes annual reports on how its operations align with its principles and periodically has those results independently verified.

In addition, during 2021 IDB Invest participated actively in the G7 Impact Taskforce Working Group on Impact Transparency, Integrity, and Reporting, which made recommendations on scaling the impact investing industry and mobilizing private capital for positive impact.

FINANCIAL and RISK MANAGEMENT

In LAC, the estimated gap between current levels of development financing and the amounts needed to meet the UN Sustainable Development Goals has been estimated at over $650 billion annually, which stretches far beyond the capacity of development finance institutions.

In consequence, IDB Invest has a duty to mobilize more resources from traditional partners as well as impact investors seeking to achieve social and environmental goals.

Our regional expertise, early project access and seal of approval make us an entry point for such investors. During 2021 IDB Invest sought to increase not only the total amount of mobilized resources, but also the number of projects with a mobilization component, allowing us to increase the ratio of mobilized resources to own-account long-term commitments to 0.95.

Overall, more than 50 transactions with mobilization instruments were executed in 2021. Core mobilization reached $2.97 billion, an increase of 29% over the previous year, and more than double the amount achieved in 2019, delivering the highest amount ever mobilized in a year in the history of private sector operations of the IDB Group.

This was possible due to the mobilization team's early involvement in project origination efforts and structuring. This led to a higher number of projects with mobilization component as a part of the value proposition, together with an increasing number of active mobilization partners with an appetite to participate in IDB Invest projects.

Some of the milestones include:

- The issuance of the first B-Bond in which investors take construction risk, for the Cardal-Punta del Tigre project in Uruguay.

- The mobilization of more than $530 million through Debt Capital Markets instruments, such as package deals that supported an electricity rate stabilization mechanism implemented in Chile under Law 21.185.

- The structuring of the largest syndication in the last four years for a financial institution. In this deal, IDB Invest arranged a syndicated loan with 13 investors to support women-led SMEs in Brazil through Daycoval.

- Increased synergies with other development financial institutions such as IFC, Proparco, Findev and DEG.

Despite the impact of ratings downgrades in the region in 2021 making it more expensive for sovereigns and corporates to raise capital, IDB Invest continued to generate a steady stream of bankable assets and acting as a conduit to place those assets with investors of varying risk appetites.

Relationships with insurance companies were strengthened as the Unfunded Credit Protection instrument continued to mature to actively manage IDB Invest pipeline and portfolio by incorporating a new pool of investors to expand our capabilities to support projects.

Looking ahead, IDB Invest's growing toolbox of mobilization products and expanded presence among investors looking for investment opportunities in the region will result in increased crowding in of private capital and optimized risk management, increasing IDB Invest's overall impact and the resilience of its balance sheet.

Risk Management

During 2021, IDB Invest continued to integrate financial and non-financial risk management at the project and portfolio level to better serve its clients, achieve greater impact and ensure the overall sustainability of IDB Invest.

IDB Invest strengthened its approach to manage ESG risks with the creation of a new team to guide and assess environmental and social risk at the corporate level with a mandate to strengthen compliance, learning, and impact for IDB Invest. At the same time, IDB Invest strengthened its operational risk management and internal controls in keeping with the increasing scale and scope of the organization.
IDB Invest's financial risk management framework encompasses a Risk Appetite Policy, a Capital Adequacy Policy, and a Liquidity Policy. As part of a triennial review, those policies were updated in 2021, formally establishing a buffer zone to the Capital Adequacy Ratio and including stress test requirements.

As we deepened our footprint throughout the region, IDB Invest maintained a healthy and well diversified portfolio despite the complex global and regional environment.

Funding Strategy and Treasury

IDB Invest issues bonds in the international markets to maintain appropriate liquidity levels and its top credit ratings. We diversify our funding sources and optimize our cost of funding by issuing in different markets and currencies. We also promote the development of local capital markets in Latin America and the Caribbean through the issuance of local currency bonds in domestic markets to finance local currency projects.

Investors are met on an ongoing basis to promote upcoming bond issues and to inform them about our business, our impact and our financial performance. Since the onset of the pandemic, all roadshows have taken place in virtual format. In 2021 we performed a global roadshow to promote our Sustainable Debt Framework amongst investors in the Americas, Europe and Asia besides roadshows in Mexico and in Australia.

Under its Sustainable Debt Framework, launched with a virtual global roadshow, IDB Invest issued the following bonds:

- An inaugural sustainable debt issue on the London Stock Exchange, a $1 billion, 5-year sustainability bond priced in February to finance both green and social projects.
- A MXN2.5 billion (approximately $119 million), 3-year gender bond priced in March, highlighting IDB Invest's commitment both to promote gender equality and to develop local capital markets. This was the first gender bond issued by an international development lender in the region.
- A debut bond under its Australian Debt Issuance Program, priced in June, an AU$400 million (approximately $300 million), 5-year social bond.
- Two green bonds, underscoring IDB Invest's commitment to climate action: a $100 million, 10-year transition bond in June, and an AU $68 million (approximately $49 million), 10-year decarbonization bond in September.
- IDB Invest concluded its 2021 funding program in November with the first blue bond ever issued for LAC, an AU$50 million (approximately $37 million), 10-year blue bond.

Executing 100% of its 2021 global funding program under the Sustainable Debt Framework in the first year of its inception speaks to IDB Invest's commitment to environmental and social impact and sparked interest among ESG investors around the world. In total, IDB Invest issued bonds with a nominal amount of $1.6 billion and an average maturity of 5.4 years.

Under its liquidity policy, IDB Invest must maintain a liquid asset portfolio of sufficient size to fulfill its current commitments and projected new commitments for a period currently of at least 15 months under the assumption of market stress. These resources are invested in liquid assets of high credit quality and managed to optimize diversification and yield within approved counterparty and market risk limits.

IDB Invest's liquidity portfolio stood at $2 billion as of December 31, 2021, compared with $2.1 billion one year earlier. Most of the portfolio consists of assets denominated in U.S. dollars, with a small part denominated in Mexican pesos, which is funded in the same currency to eliminate any currency risk.

INNOVATION EVERYWHERE YOU LOOK

Compañía de Empaques SA has been making sacks fique bags for the coffee industry for more than eight decades, but this venerable Medellín-based manufacturer is keen on trying new ways of doing business. In 2021 it became the first Colombian company to launch a sustainability-linked bond, a COP$50 billion (about $13 million), five-year issue structured and underwritten by IDB Invest.

The packaging company, integrated in a business group that makes a wide range of products principally for agriculture and construction, will use the resources raised through the bond to finance investments to expand its output capacity as well as to adopt new technologies and improve its energy efficiency.

As part of an inclusive business model, over the next five years Compañía de Empaques plans to double its purchases of fique fibers, used to manufacture coffee bean bags sacks and other recyclable and compostable textiles and cords. Fique, a plant similar to sisal, is mostly grown by low-income farmers and rural cooperatives in central and southern regions of Colombia.

The company will also step up its research and development of new products derived from the fique plant, as well as its experiments with circular economy models, which involve reusing or repurposing waste that would otherwise end up in a landfill. They have already replaced coal with plant biomass as fuel for its own generator. They are in the process of reducing its carbon footprint using renewable energy with the construction of a biomass power plant using fique fiber waste and the installation of solar panels.

Under the terms of the sustainability-linked bond, the company will pay a higher or lower interest rate depending on whether it achieves or misses certain key performance indicators tied to a set of previously agreed and independently verified environmental and social targets. For example, one of the goals is to reduce the energy consumption rate of raw materials it uses, which include polypropylene.

“This transaction not only introduced a new asset class in the Colombian capital market,” said the IDB Invest project team leader Jose Gustavo Quiñones, “it should also open a path for other local companies interested in pursuing ambitious sustainability strategies.”

KNOWLEDGE and ACHIEVEMENTS

Knowledge and Communications

IDB Invest generates and disseminates knowledge and lessons learned from its experience as a development practitioner to enhance the impact of its projects.

During 2021 we organized virtual events on a variety of sustainability topics, ranging from sustainable agribusiness to the environmental and social management of investment funds.

For example, in September we held the AgriLAC forum, a virtual event to share best practices in sustainability and the agribusiness value chain, drawing more than 5,000 participants from corporations, financial institutions, non-profits and investors, and almost 12,000 online viewers in streaming.

In addition, IDB Invest and the IDB launched a webinar series to promote the Gender Parity Initiative. On this theme, a joint publication with BID Intal – “An unequal Olympiad: gender equity in Latin American and Caribbean companies” – looked at gender gaps in 1,015 companies in 20 countries.

IDB Invest also developed several practical guides on topics including the blue economy, thematic bonds, digital readiness for financial cooperatives, and strengthening climate change resilience in ports.

Over the course of 2021 IDB Invest generated more than 8.2K media mentions and reached more than 13 million people through social media. Likewise, the corporate blog Negocios Sostenibles increased its audience by 34%.

A new partnership was launched in the middle of the year with Bloomberg News, which is republishing all of the blog's content on its financial news terminals.

IDB Invest also made significant progress on its Knowledge Ecosystem. The IDB Invest Knowledge Appstore - The Knowledge Engine - went live in 2021, allowing users to interact with knowledge assets in new ways with the goal of promoting a knowledge-sharing culture and enhancing employee productivity.

Achievements

IDB Invest reached the EDGE Move certification level, a recognition of its strong commitment to gender parity in the workplace. The result of a 5-year institutional effort, the certification highlighted the number of women in leadership positions, flexible working practices and support to caregivers, and the proportionate retention along the talent pipeline, which has met the minimum threshold for substantive women representation of 30%.

The EDGE assessment captured IDB Invest's increasing commitment to investigate intersectional issues related to gender identity and race/ethnicity, reflecting our efforts beyond gender, toward diversity in a broader way.

We have a well-balanced workforce (51.8% men and 48.3% women) and gender parity at managerial level, a reflection of long-term efforts on that front.

Bonds

Project	Banco W
Client	Banco W
Country	Colombia
Magazine	Environmental Finance
Category	Award for Innovation - Use of Proceeeds (Social Bond)
Award	Environmental Finance - Bond Awards 2021

Project	CADU
Client	CADU
Country	Mexico
Magazine	Environmental Finance
Category	Green project - Bond of the Year
Award	Environmental Finance - Bond Awards 2021

Project	Davivienda Bono de Género
Client	Davivienda
Country	Colombia
Magazine	Environmental Finance
Category	Award for innovation – Bond Structure (Social Bond)
Award	Environmental Finance - Bond Awards 2021

Project	Electricity Tariff Stabilization Liquidity Facility
Client	Chile's Electricity Companies
Country	Chile
Magazine	LatinFinance Project & Infrastructure Finance Awards
Category	Bond of the Year
Award	Bond of the Year

Social Infrastructure

Project	PPP Educativa 2
Client	Infraestructura Educativa II SA
Country	Uruguay
Magazine	Proximo
Category	Social Infrastructure - Latin America
Award	Proximo Americas Deals of the Year 2020

Roads

Project	Autopista Del Norte
Client	Autopista del Norte SAC
Country	Peru
Magazine	LatinFinance Project & Infrastructure Finance Awards
Category	Infrastructure Financing of the Year – Andes
Award	Infrastructure Financing of the Year – Andes

Water

Project	Sabesp
Client	Companhia de Saneamento Básico do Estado de São Paulo (Sabesp)
Country	Brazil
Magazine	Proximo
Category	Water - Latin America
Award	Proximo Americas Deals of the Year 2020

Solar

Project	New Juazeiro
Client	Atlas Juazeiro Comercializadora de Energia Ltda.
Country	Brazil
Magazine	Proximo
Category	Solar - Latin America
Award	Proximo Americas Deals of the Year 2020

Mixed Renewables

Project	Huemul
Client	Huemul Energía Spa
Country	Chile
Magazine	Proximo
Category	Mixed Renewables - Latin America
Award	Proximo Americas Deals of the Year 2020

Project	Huemul
Client	Huemul Energía Spa
Country	Chile
Magazine	The Asset Triple A Infrastructure Awards 2021
Category	South America Deal of the Year
Award	South America Deal of the Year

Project	Huemul
Client	Huemul Energía Spa
Country	Chile
Magazine	LatinFinance Project & Infrastructure Finance Awards
Category	Renewable Energy Financing of the Year
Award	Renewable Energy Financing of the Year

Loans

Project	LD Celulose
Client	LD Celulose S.A.
Country	Brazil
Magazine	The Banker
Category	Americas: Loans
Award	Deals of the Year 2021 Awards

Private Equity

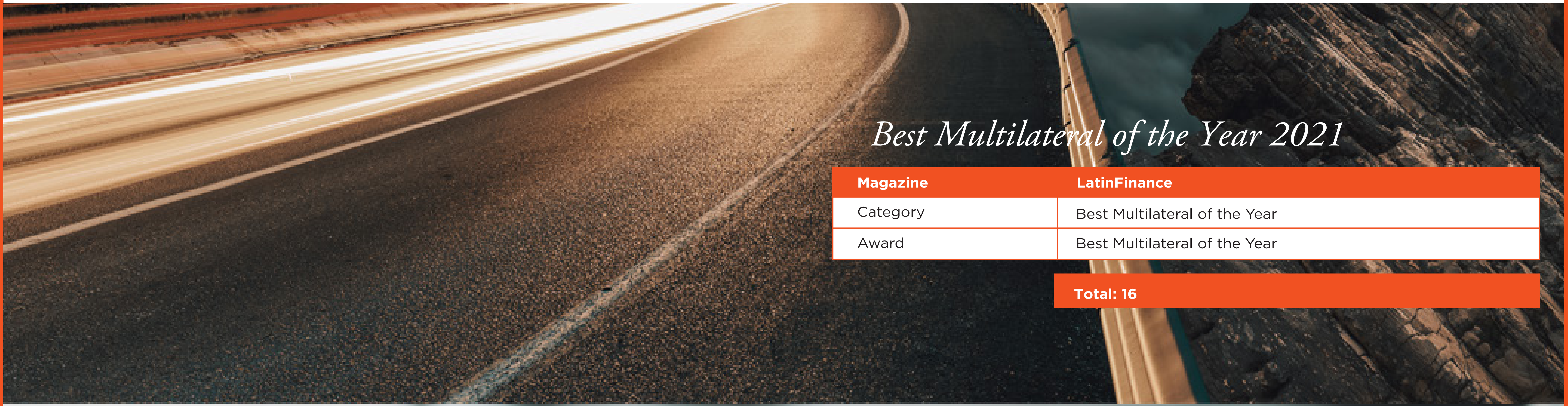
Project	Vinci Impact and Return Fund IV
Client	Vinci Partners
Country	Brazil
Magazine	Environmental Finance
Category	Private equity ESG fund of the year
Award	Environmental Finance - Sustainable Investment Awards 2021

Manufacturing

Project	LD Celulose
Client	LD Celulose
Country	Brazil
Magazine	Environmental Finance's IMPACT Awards 2021
Category	Biodiversity and ecosystems
Award	Impact project/investment of the year: Biodiversity and ecosystems

Agriculture

Project	Kahai
Client	Kahai
Country	Colombia
Magazine	Environmental Finance's IMPACT Awards 2021
Category	Agriculture and sustainable land use
Award	Impact project/investment of the year: Agriculture and sustainable land use



Best Multilateral of the Year 2021

Magazine	LatinFinance
Category	Best Multilateral of the Year
Award	Best Multilateral of the Year

Total: 16

GREENING a MOBILITY GIANT

For a business that started with a single truck, SIMPAR has certainly gone far. The Brazilian holding company's different divisions now employ more than 32,000 persons and boast a combined fleet of more than 150,000 cars and trucks.

SIMPAR not only runs one of the biggest car, truck and heavy equipment rental operations in Latin America; it also has a vast logistics business that serves several key manufacturing industries, a specialized unit that offers mobility and transportation solutions to the public sector, including passenger buses and garbage trucks, and a network of dealerships that sell new and used vehicles.

But looking down the road, SIMPAR faces a huge challenge: greening its operations. In a bid to combat climate change, Brazil has committed to reducing its emissions of greenhouse gases substantially over the next few decades. The transportation industry, which relies heavily on fossil fuels, is one of the biggest sources of CO2.

SIMPAR is determined to become a leader in the transition to a cleaner future. Over the next few years, it will make large investment in substituting vehicles with conventional internal combustion engines for electric, hybrid and biofuel vehicles.

In support of that effort, IDB Invest will supply the Brazilian company a $270 million financial package, which includes $80 million from IDB Invest itself, $40 million from donor funds managed by IDB Invest, and a syndicated loan for $150 million from commercial lenders.

IDB Invest's resources include a green loan earmarked for the acquisition of electric vehicles, which still are far more expensive in Brazil than conventional cars and trucks. SIMPAR will also continue receiving technical assistance to develop a long-term action plan to reduce its carbon footprint.

"Our participation in SIMPAR's bold plans should pave the way for other ßinternational lenders to support similar efforts in our region," said IDB Invest project team leader Juan Parodi. "We're also counting on this project to set an example for other companies in the transportation industry to start greening their fleets."

INSTITUTIONAL GOVERNANCE

Our Mission

IDB Invest promotes the economic development of its regional developing member countries by encouraging the establishment, expansion, and modernization of private enterprises in such a way as to supplement the activities of the IDB.

IDB Invest aims to be the leading financial institution with the knowledge and expertise to invest with impact in Latin America and the Caribbean and to connect its countries and private sector investments with the UN Sustainable Development Goals.

Our Mandate

Guided by the principles of strengthening development effectiveness, IDB Invest contributes to the development and maximization of the efficient use of resources and synergies between activities with the public and private sectors of the IDB Group. IDB Invest is responsible for all non-sovereign guaranteed operations of the IDB Group (including non-sovereign guaranteed operations with state-owned enterprises).

Our Member Countries

Argentina, Austria, The Bahamas, Barbados, Belgium, Belize, Bolivia, Brazil, Canada, Chile, the People's Republic of China, Colombia, Costa Rica, Croatia, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Guatemala, Guyana, Haiti, Honduras, Israel, Italy, Jamaica, Japan, Republic of Korea, Mexico, the Netherlands, Nicaragua, Norway, Panama, Paraguay, Peru, Portugal, Slovenia, Spain, Suriname, Sweden, Switzerland, Trinidad and Tobago, the United States of America, Uruguay, and the Bolivarian Republic of Venezuela.

Our Board of Governors

All the powers of IDB Invest are vested in its Board of Governors, consisting of one governor and one alternate governor appointed by each member country. The Board of Governors has delegated to the Board of Executive Directors all its powers except certain powers reserved to the Governors under the Agreement Establishing the Inter-American Investment Corporation.

Our Board of Executives Directors

The Board of Executive Directors oversees the operations of IDB Invest and exercises all the powers granted to it under the Agreement Establishing the Inter-American Investment Corporation or delegated to it by the Board of Governors. The 13 executive directors and their alternate executive directors serve three-year terms, representing one or more member countries. The Board of Executive Directors establishes the basic organizational structure of IDB Invest and approves the institution's budget as well as all loans and investments with certain exceptions where this authority has been delegated to Management.

Our Leadership

Inter-American Development Bank President Mauricio J. Claver-Carone serves as ex-officio Chair of the Board of Executive Directors of IDB Invest.

As General Manager and CEO of IDB Invest, James P. Scriven handles the day-to-day business and is responsible for establishing its operational structure and appointing its senior management and staff.

Senior Management

IDB Invest's senior management is a gender-balanced team of professionals from both borrowing and donor member countries of the IDB Group. Collectively they draw from a wealth of experience in international development, national government, commercial and investment banking, risk management and the law.

During 2021 there was a significant change in the senior management team. Chief Strategy Officer Orlando Ferreira was appointed Chief Financial Officer. He was replaced as Chief Strategy Officer by former IDB Vice President for Countries Alexandre Meira da Rosa.

Staff

To fulfill its development mission, IDB Invest has 460 employees distributed in five departments. Of the total, 30% of employees are located in 24 of the IDB Group's 26 offices in Latin America and the Caribbean: Argentina, The Bahamas, Barbados, Belize, Brazil, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Haiti, Jamaica, Mexico, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, and Uruguay. The rest of the staff are located at IDB Invest headquarters in Washington, D.C.

Contact Information

Argentina and Haiti
Guillermo Alberto Francos
Executive Director
Santiago Martin Chelala
Alternate Executive Director

Austria, Belgium, China, Germany, Italy and the Netherlands
Adolfo di Carluccio
Executive Director
Jing Chen
Alternate Executive Director

The Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago
R. Brian Langrin
Executive Director

Belize, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua
Edna Gabriela Camacho
Executive Director
Diego Aycinena Abascal
Alternate Executive Director

Bolivia, Paraguay and Uruguay
Germán Hugo Rojas Irigoyen
Executive Director
Mario Alberto Guillen Suárez
Alternate Executive Director

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José Guilherme Almeida dos Reis
Executive Director
Sergio Savino Portugal
Alternate Executive Director

Canada, Denmark, Finland, France, Norway, Sweden and Switzerland
Harald Tollan
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Eric Daniel Madueño
Alternate Executive Director

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Executive Director
Luis Martín Uribe Vélez
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Croatia, Israel, Japan, Korea, Portugal, Slovenia and Spain
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Mario Alejandro Gaytán González
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Ernesto Alejandro Selman Mejía
Alternate Executive Director

Ecuador and Peru
Silvio R. Rendón
Executive Director
Bernardo Acosta
Alternate Executive Director

Panama and Venezuela
Gustavo Tarre Briceño
Executive Director
Carlos Alberto Vallarino Rangel
Alternate Executive Director

United States of America
Vacant*

** as of March 3, 2022*

FINANCIAL HIGHLIGHTS

APPENDIX 1

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Board of Governors
Inter-American Investment Corporation:

Opinion

We have audited the financial statements of Inter-American Investment Corporation (the Corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related income statements and the statements of comprehensive income/(loss), changes in capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the Information Statement of the Inter-American Investment Corporation and the Annual Report as of December 31, 2021. The other information comprises management's description of their business, risk management, administration and governance processes as well as management's discussion and analysis of financial results, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Washington, District of Columbia
March 1, 2022

Financial Highlights

Selected Financial Data

Table 1. Selected Financial Data (expressed in thousands of United States dollars, USD, US$ or $).

	Years ended December 31				
Income Statement Data	**2017**	**2018**	**2019**	**2020**	**2021**
Total income	$ 134.229	$ 170.180	$ 223.063	$ 192.668	**$ 351.882**
Total income, net of borrowing expenses	117.189	143.568	178.493	144.711	**288.986**
Total operating expenses	(99.619)	(122.471)	(130.265)	(153.175)	**(172.455)**
Gain/(loss) from changes in fair-value on non-trading portfolios and foreign exchange transactions, net	(16)	2,959	(4,357)	15,352	**14,394**
Net income	17.554	24.056	43.871	6.888	**130.925**
Balance Sheet Data					
Liquid assets	$ 1.192.320	$ 1.469.446	$ 1.360.413	$ 2.120.628	**$ 1.957.960**
Development related investments	1.013.623	1.756.131	2.543.423	4.357.987	**5.585.633**
Allowance for credit losses[1]	(49.685)	(65.776)	(97.614)	(181.098)	**(201.803)**
Development related investments, net	963.938	1.690.355	2.445.809	4.176.889	**5.383.830**
Nonaccruals	20.943	28.405	31.266	32.377	**25.431**
Total assets	2.185.395	3.209.253	3.899.824	6.424.312	**7.551.424**
Borrowings	646.741	1.286.372	1.648.146	3.908.457	**4.612.629**
Total liabilities	740.815	1.390.003	1.866.762	4.316.098	**5.076.650**
Paid-in capital	1.283.414	1.622.206	1.832.411	2.017.089	**2.228.299**
Retained earnings	208.471	235.356	279.227	239.882	**370.807**
Accumulated other income/(loss)[2]	(47.305)	(38.312)	(78.576)	(148.757)	**(124.332)**
Total equity	1.444.580	1.819.250	2.033.062	2.108.214	**2.474.774**
Ratios					
Return on average assets (ROA)	0.8 %	0.9 %	1.2 %	0.1 %	**1.9 %**
Return on average equity (ROE)	1.4 %	1.5 %	2.3 %	0.3 %	**5.7 %**
Leverage ratio	0.45	0.72	0.83	1.90	**1.92**
Equity to total assets	66.1 %	56.7 %	52.1 %	32.8 %	**32.8 %**
Liquidity to total assets	54.6 %	45.8 %	34.9 %	33.0 %	**25.9 %**
Liquidity to debt	184.4 %	114.2 %	82.5 %	54.3 %	**42.4 %**
Nonaccruals as a percentage of the total development related debt investments	2.2 %	1.7 %	1.3 %	0.8 %	**0.5 %**
Allowance for credit losses to development related debt investments[3]	5.2 %	4.4 %	4.8 %	4.8 %	**4.3 %**

Notes:

[1]On January 1, 2020, IDB Invest adopted the current expected credit loss (CECL) model. This concept applies to the development related debt investments portfolio (includes loans and debt securities). Prior to 2020, the allowance for credit losses applied to loans only.

[2]Includes recognition of net actuarial losses and prior service credit on IDB Invest's Pension Plans and Postretirement Benefit Plan and net fair value adjustments on borrowings attributable to changes in instrument-specific credit risk.

[3]On January 1, 2020, IDB Invest adopted the current expected credit loss (CECL) model. This ratio is related to development related assets only, and does not consider the liability for undisbursed commitments and financial guarantees. Prior to 2020, this ratio was defined as Allowance for loan losses as a percentage of Loan portfolio.

Definitions:

ROA: Net income annualized for the previous twelve months divided by the average of current and previous year's Total assets.

ROE: Net income annualized for the previous twelve months divided by the average of current and previous year's Total capital.

Leverage ratio: Borrowings plus Guarantees outstanding divided by Total capital (Expressed in units).

Equity to total assets: Equity divided by Total assets.

Liquidity to total assets: Liquid assets divided by Total assets.

Unaudited supplemental information - see accompanying accountants' report

Liquidity to debt: Liquid assets divided by Borrowings.

Nonaccruals as a percentage of the total development related debt investments: Total loans and debt securities in nonaccrual status divided by the Total development related debt investments portfolio (disbursed loans and debt securities outstanding at cost).

Allowance for credit losses to development related investments: Allowance for credit losses divided by development related loans and debt securities at amortized cost.

Financial Results

In 2021, IDB Invest marked its sixth year of consecutive profits since the IDBG Private Sector Reform with net income of $130.9 million in 2021 compared to $6.9 million in 2020. Net income increased $124.0 million compared to the prior year mainly driven by portfolio growth and a decrease in the provision for credit losses of $106.0 million ($5.7 million in 2021, compared to $111.8 million in 2020). The lower provision for credit losses in 2021 was primarily attributable to an improvement in credit ratings and in expected future global macroeconomic conditions. The higher provision for credit losses in 2020 was mainly attributable to the adoption of the current expected credit losses (CECL) methodology and the global crisis triggered by the COVID-19 pandemic.

Total income/(expense) from development related investments, liquid assets and other income, net of borrowings expense[1], amounted to $289.0 million in 2021 as compared to $144.7 million in 2020. This increase was primarily driven by the overall increase in the development related investments portfolio income, and a decrease in the provision for credit losses as indicated above, partially offset by a decrease in gains from liquid assets and an increase in borrowing expenses. Interest and other income from development related debt investments (includes loans and debt securities) grew by $24.1 million as a result of growth in the outstanding portfolio despite a lower global interest rate environment. Gains on equity investments increased by $45.9 million at the end of 2021 compared to the end of 2020, driven by fair value changes on an overall higher portfolio. Also, the decrease in the provision for expected credit losses of $106.0 million as detailed above contributed to the improved net income results at the end of 2021 compared to the end of 2020. Gain from liquid assets, net, decreased $14.1 million and Borrowings expenses increased by $14.9 million, mainly due to higher interest expenses on an 80.0% higher average borrowings outstanding than in 2020. This increase was driven by bond issuances under IDB Invest's Euro Medium Term Note Program and Australian Debt Issuance Program in addition to local currency borrowings. These factors explain the increase of $144.3 million in Total income/(expense) from development related investments, liquid assets and other income, net of borrowings expense as compared to the prior year.

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[1] References to captions of IDB Invest's financial statements are identified by the name of the caption beginning with a capital letter every time they appear herein.

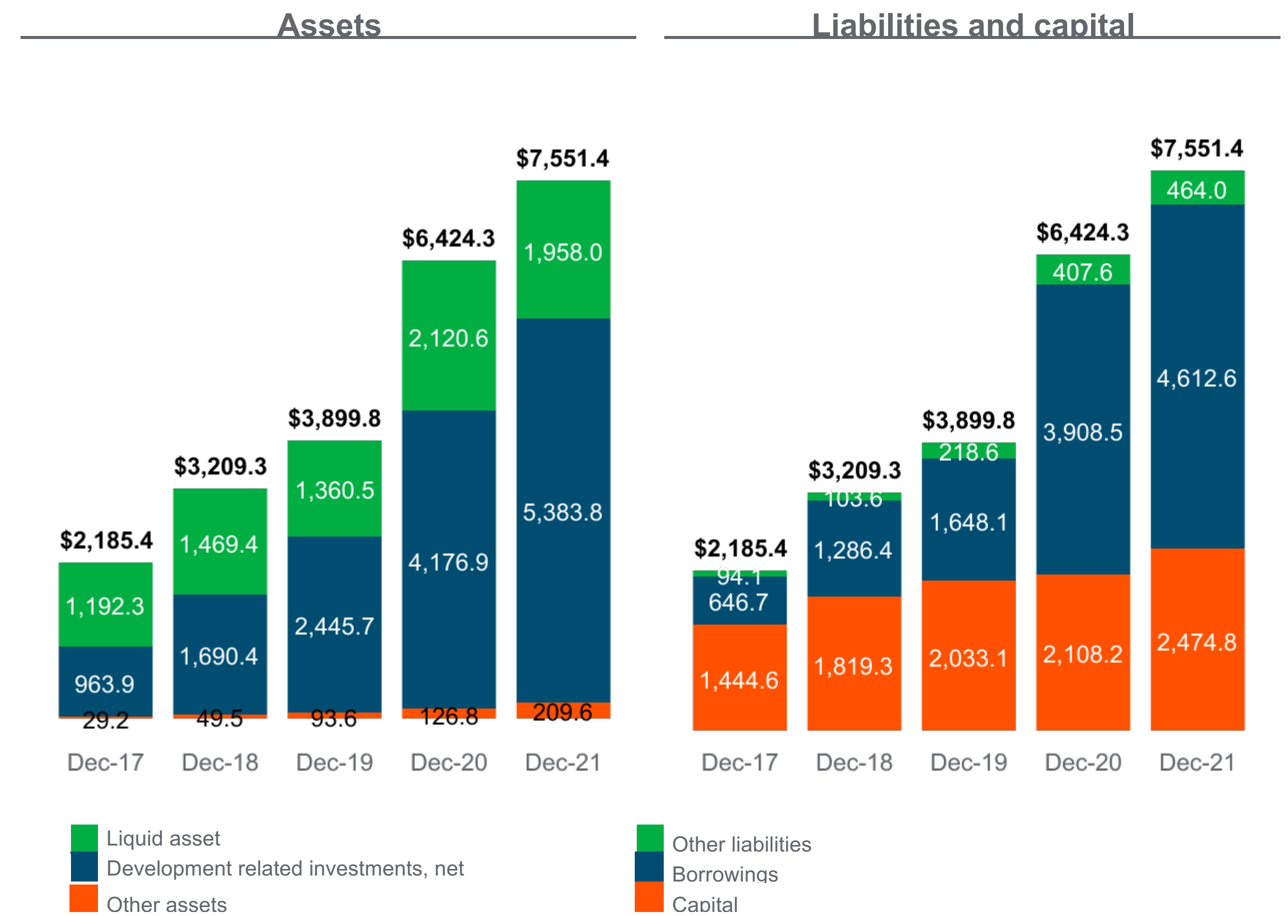
Unaudited supplemental information - see accompanying accountants' report

Administrative expenses increased 12.5% from $147.2 million at the end of 2020 to $165.6 million at the end of 2021, primarily due to higher pension costs driven by historically low discount rates. Remaining workforce costs remained stable, despite considerable disruptions to daily activities introduced by the COVID-19 pandemic. IDB Invest continued to strengthen its operational platform to deliver business operations in a more complex environment as well as drive initiatives to support the optimization of organizational processes with a combination of innovative technologies and system improvements to achieve greater efficiencies and synergies.

Development Related Activities

IDB Invest continued to expand its financial product solutions to meet client demands and respond to the economic strain caused by the COVID-19 pandemic, including development of new financial instruments and mobilization products, growth of supply chain finance products, and continued expansion of local currency financing. In 2021, IDB Invest also emerged as an innovator in the thematic bonds market with the issuance of its first sustainable bond under its Sustainable Debt Framework to further deepen capital markets in the Region.

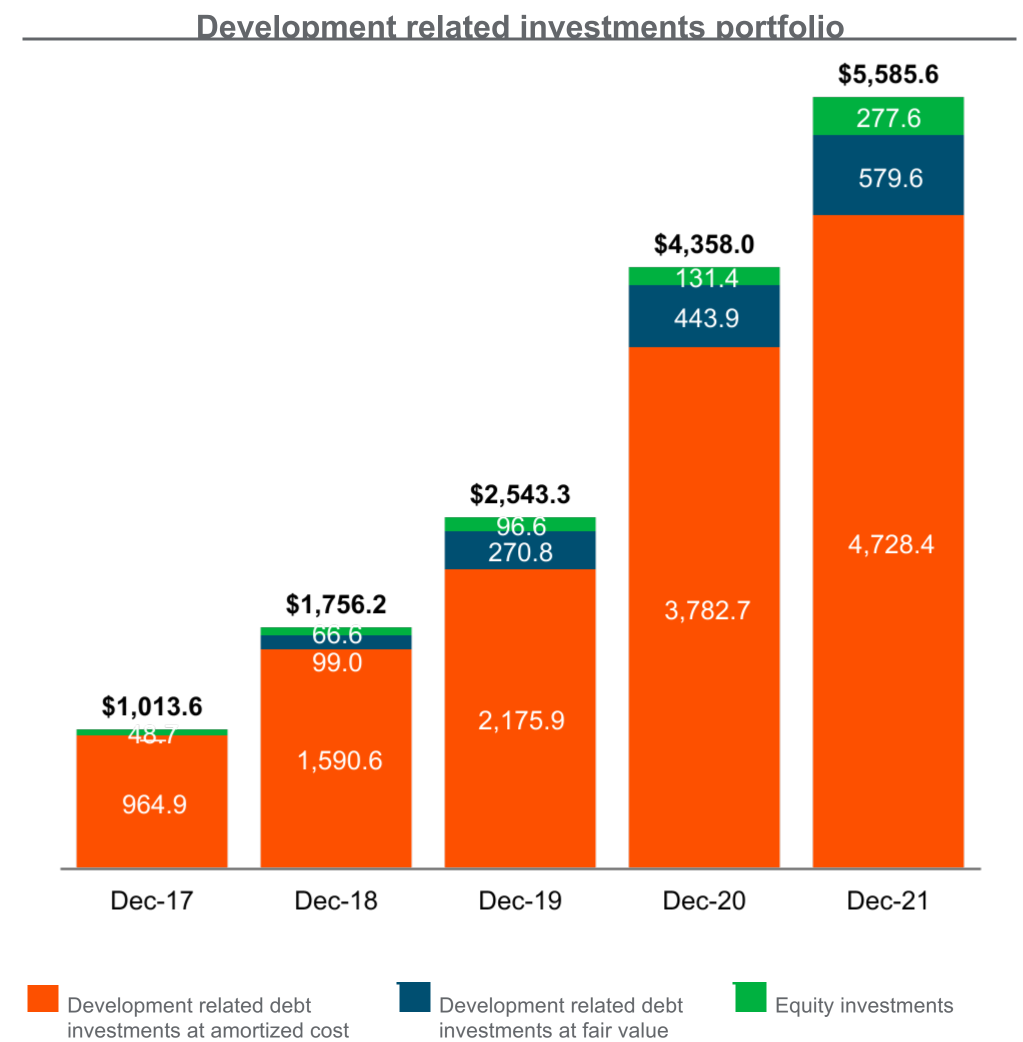
Graph 1. IDB Invest's Balance sheets by components (in US$ million).



Unaudited supplemental information - see accompanying accountants' report

IDB Invest's gross development related investments, comprised of loans, debt securities and equity investments (excluding guarantees), increased approximately 28.2% from $4,358.0 million as of December 31, 2020, to $5,585.6 million as of December 31, 2021. To complement the growth in the development related debt investments portfolio, equity investments grew 111.3% in 2021 in comparison to 35.9% in 2020 to support the recovery in the Region. In addition, undisbursed commitments toward development related investments as of December 31, 2021, were $2,005.8 million, or 53.8% higher than $1,304.1 million as of December 31, 2020.

Graph 2. IDB Invest's gross Development related investments portfolio (in US$ million).



Asset Quality

IDB Invest's gross development related investments portfolio continued to grow in 2021 while maintaining a consistent level of portfolio credit quality relative to 2020. The allowance for credit losses as a percentage of

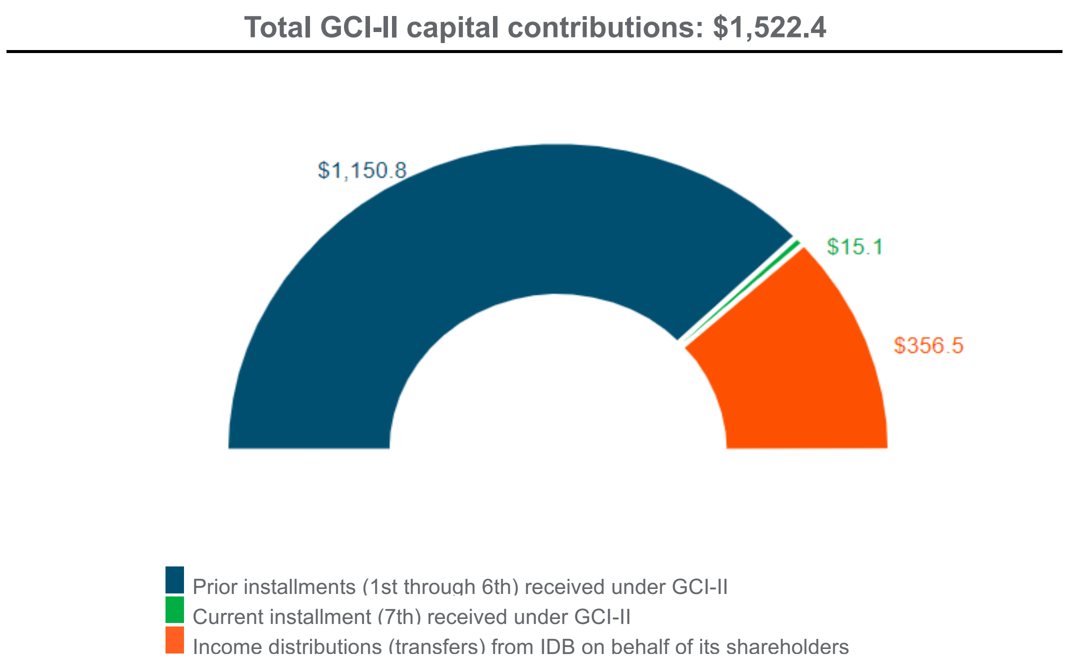
Unaudited supplemental information - see accompanying accountants' report development related debt investments outstanding decreased compared to the end of 2020 (4.3% at the end of 2021 vs. 4.8% at the end of 2020).

Further, despite the Region facing the continued challenges of the COVID-19 pandemic, nonaccruals decreased to $25.4 million at the end of 2021 from $32.4 million at the end of 2020, and nonaccruals as a percentage of the total development related debt investments portfolio improved to 0.5% at the end of 2021 from 0.8% at the end of 2020 demonstrating the continued health of the portfolio and the limited impact to date of the COVID-19 pandemic on the portfolio.

Liquidity and Capital Resources

IDB Invest's total capital increased by 17.4% from $2,108.2 million as of the end of 2020 to $2,474.8 million as of the end of 2021. This increase was the result of $211.2 million in capital contributions received in 2021, $130.9 million of net income, and other comprehensive income of $24.4 million, which was composed of unrealized gains on pension obligations due to an increase in discount rates partially offset by unrealized losses in the fair value of borrowings resulting from changes in IDB Invest's own credit risk spread. As of December 31, 2021, IDB Invest has received $1,522.4 million in total capital contributions under GCI-II and expects to receive approximately $530.0 million under the remaining installments through 2025, demonstrating continued shareholder support.

Graph 3. Capital contributions (in US$ million as of December 31, 2021).



IDB Invest operates under a robust financial risk management framework. IDB Invest's solvency and liquidity ratios remained within established thresholds in 2021 despite the continued challenges triggered by the COVID-19 pandemic. Specifically, IDB Invest's capital adequacy ratio, liquidity coverage ratio and leverage ratio remained fully in compliance with financial risk management policies and targets.

IDB Invest's Equity to total assets ratio remained constant at 32.8% at the end of 2021 compared to 32.8% at the end of 2020 as a result of the aforementioned portfolio growth. IDB Invest's Liquidity to total assets ratio was 25.9% in 2021 (33.0% in 2020) and the Liquidity to debt ratio was 42.4% in 2021 (54.3% in 2020). The leverage ratio increased slightly to 1.92 at the end of 2021 compared to 1.90 at the end of 2020 as a result of increased funding from the capital markets.

Pension Plans and Postretirement Benefits Plan

The volatility in the equity and credit markets affects the funded status of the Pension Plans and Postretirement Benefits Plan (PRBP). IDB Invest's Pension Plans are 70.4% funded and the Post Retirement Benefit Plan is 91.1% funded as of December 31, 2021. The funded status of the Pension Plans decreased by $3.1 million and the PRBP increased by $16.2 million from 2020. The changes to the funded status of the Pension Plans and PRBP were positively driven by an increase in asset returns and an increase in the discount rates of 34 bps and 31 bps, respectively, that were partially offset by an increase in the inflation rates of 43 bps impacting both the Pension Plans and the PRBP. Overall, the Pension Plans and PRBP benefited from an improvement to recent historically low discount rates combined with a continued recovery in asset values from the economic impacts of the COVID-19 pandemic on financial markets. IDB Invest, in coordination with the IDB, actively monitors management strategies to address the short-term and long-term performance of the Pension Plans and PRBP. For further information, refer to Note 14 – Pension and Postretirement Benefit Plans of the financial statements.

ACCESS to INFORMATION

APPENDIX 2

I. Regulations and Governance:
The Access to Information Policy came into effect on January 1, 2020. In 2021, the second year of its implementation, Management adopted internal regulations to guide employees through the policy's compliance procedures and to provide useful tools for effective implementation. The guide to classify documents was updated and approved by the Administration Committee, while several protocols with different areas of the IDB Group were discussed.

II. Proactive Disclosure:
Proactive disclosure was fine-tuned during 2021, increasing the amount and quality of disclosed information, including further disclosure of Board Records.

Likewise, IDB Invest strove to increase transparency by proactively disclosing information under the International Aid Transparency Initiative (IATI). Under IATI, information is provided in one common standard and is thereupon aggregated and made available in various online tools and visualization platforms, making the data more open, timely, comprehensive, and comparable.

III. Requests for Information:
Under the policy, the public can request information to IDB Invest through the Transparency Hub. When a request is denied by the institution, the requester has a right to request a review, by the Administration Committee, first, and by an External Panel, secondly.

A)Transparency Hub:

The Transparency Hub received 396 external requests for information during 2021, 128 of which required internal actions of information search, disclosure, or denial. Average response time to requests for information was 17 days.

The most requested topic was Project Information (62.66%), followed by Institutional Information (15.09%) and Environmental & Social Information (11.25%). Most of the requests came from the Private Sector (41.43%), Individuals (26.34%) and Academia (19.69%). The largest number of requests came from Colombia (11.26%), United States (11.26%), Mexico (9.12%) and Brazil (8.85%).

B) Request for Review
In 2021, IDB Invest issued 10 denials of information based on exceptions included in the Access to Information Policy. IDB Invest received one request for first-stage review before the Administration Committee and one request for second-stage review before the Access to Information Policy External Panel.

The case before the Administration Committee involved a request to disclose the terms of reference used to prepare IDB Invest's Good Practice Note for the Private Sector: Addressing the Risks of Retaliation against Project Stakeholders. The Administration Committee reversed Management's decision and instructed Management to make the requested document available to the public.

The case before the External Panel referred to specific information related with the Hidroituango Project. The case was closed with the External Panel's final decision to maintain the Administration Committee decision to uphold Management's initial denial of access to the requested information. The decisions of the Administration Committee and the External Panel are publicly available at the IDB Invest external website.

IV. Technology and Training:
IDB Invest refined and updated the policy's implementation systems to incorporate improvements and lessons learned during implementation, which will continue throughout 2022.

Internal training on the policy disclosure tool was implemented for project-related disclosure. Additionally, training on the policy's request for information system was developed and will be implemented in the first semester of 2022.

TCFD Disclosure

APPENDIX 3

IDB Invest announced its support for the Task Force for Climate-related Financial Disclosures (TCFD) recommendations in November 2019, acknowledging the risk that climate change poses to investment portfolios and to the global financial system at large. Since then, the recommendations have provided a framework to guide IDB Invest's advancement as a climate-smart development finance institution. This report marks IDB Invest's third consecutive TCFD disclosure, with FY21 highlights depicted at the beginning of each section.

-Governance

Highlights 2021
A new and more ambitious IDB Group Climate Change Action Plan (2021-2025) Concentration of climate expertise under the Department of Strategy and Development, ancoring climate as one of the five strategic priorities of the institution Board trainig on climate risk, TCFD and Paris alignment.

-Board oversight of climate-related risks and opportunities

The IDB Invest Board of Executive Directors (the "Board") is comprised of 13 chairs representing the 47 member countries. These members include 26 regional developing member countries, all of which are located in LAC, and 21 other member countries. The Board of Executive Directors maintains oversight of climate-related risks and opportunities through the following channels, documents, and procedures:

Policy and strategy documents:

- IDB Group Climate Change Action Plan 2021-25 Update to the Institutional Strategy
- Vision 2025. Reinvest in the Americas: A Decade of Opportunity
- IDB Group Corporate Results Framework 2020-2023
- IDB Invest Sustainability Policy framework including the Environmental and Social Sustainability Policy, the Implementation Manual and the Environmental and Social Exclusion List.
- IDB Invest Business Plan 2020-2022

Board activities:

- The Board receives quarterly climate updates, including on strategy, risk management and metrics.
- The Board monitors the Corporate Results Framework, which includes climate risk and climate finance targets.
- The Board approves investment proposals which include material information on climate risks and opportunities, with certain exceptions where this authority has been delegated to management.
- The Board receives technical briefings, including on IDB Invest's climate activities, risks and opportunities.

Capacity building/ training:

- The Board of Directors strengthened its capacity on climate-related issues through training provided by IDB Group staff and external experts in 2021. The training covered climate-related risk in connection with the financial sector in Latin America and the Caribbean as well as TCFD, and aligning financial flows with the pledges of the Paris Agreement.

-Management's role and management committees

IDB Invest management is responsible for monitoring both climate-related risk and opportunity outcomes. In April 2021, the areas of Advisory Services (including the Climate Change team) and Environmental, Social and Corporate Governance – SEG (including the climate risk function) became part of the Department of Strategy and Development (DSP), under the Chief Strategy Officer, creating a sustainability hub within the organization. DSP currently bundles climate-related expertise and thereby anchors climate as one of the five strategic priorities of the institution. Having these teams under the same department, together with the Development Effectiveness and the Strategic Planning and Knowledge Divisions, allows for a more seamless connection between risks and opportunities in the institution. In parallel, IDB Invest has strengthened its internal capacity for climate risk management through the creation of a new functional area in the Risk Management Department, the Environmental and Social Risk team, to focus on portfolio level risk management, compliance, and internal outreach. This team is mandated to guide environmental and social risk at the corporate level to strengthen learning, impact, and compliance for IDB Invest.

-Operations and Commitments

- The Head of Climate Change briefs senior management on implementation of climate change strategy and results regularly.

- During 2021, senior management closely monitored progress toward the climate finance (climate opportunities) target.

- At the UN Climate Change Conference in November 2021, COP26, the IDB Group President announced a target to align 100% of new loans and projects with the Paris Climate Agreement Goals by 2023. Alignment requires the IDB Group's work to be consistent with a country's net-zero emissions and climate-resilient development goals. It must also be compatible with the Paris Agreement's overall long-term decarbonization objective. Also at COP26, multilateral development banks led by the IDB Group pledged to mainstream nature across their policies and to significantly boost nature finance for member countries. The MDB's joint statement "Nature, People, and Planet" commits support for countries to define and enact sustainable strategies (MDB Joint Climate Statement).

-Committees

- The Portfolio Supervision Committee, chaired by the Chief Risk Officer, meets quarterly to evaluate and discuss IDB Invest's portfolio. It includes a heatmap of portfolio expos ure to physical and transition risk, by dollar amount and number of projects, based on screenings conducted by the Environmental, Social and Corporate Governance Division.

- A cross-departmental working group, comprised of middle-management level appointees, meets monthly to direct the mainstreaming of climate-related risks and opportunities across the organization. The group's mandate consists of overseeing, managing, and coordinating IDB Invest's TCFD alignment process, including the annual TCFD Disclosure [1].

-Strategy

Highlights in 2021:

- Announced alignment of all operations with both the low carbon and the resilience goals of the Paris Agreement by 2023.
- Continued delivery of innovative climate solutions, including issuing the first blue bond for Latin America and the Caribbean and underwriting the first sustainability-linked bond in Colombia.
- Piloted carbon shadow pricing to assess transaction viability in a low-carbon world.

-Climate change and business strategy

In line with IDB Invest's commitments to address climate change, the Sustainability Policy framework incorporates a rigorous exclusion list. Namely, this list bars IDB Invest from engaging in any investments in thermal coal mining, coal-fired power generation, and upstream oil or gas exploration and development projects[2]. Not only does the exclusion list pertain to direct investments but also to indirect ones made through Financial Intermediaries, for whom the exclusion list becomes part of the legal agreement with IDB Invest. As IDB Invest recognizes the potential tradeoff between short-term economic development and poverty reduction, and exclusion of oil and gas financing, 2022 will be a key year to define concepts of a just transition within Paris alignment frameworks.

Climate action is a core pillar of IDB Invest's strategy and of the IDB Group at large. During the COP26 climate conference, IDB Group announced a strategic shift to align 100% of projects and operations with both the low carbon and the resilience goals of the Paris Agreement by 2023, doubling down on its commitment and existing financing to address the climate crisis. This shift toward 100% Paris-alignment of operations will impact IDB Invest's pipeline and require a shift in the organization's businesses, overall strategy and financial planning. While all IDB Invest operations shall contribute to a well-below two-degree world by 2023, IDB Invest continues to assess physical risks under more pessimistic climate scenarios and evaluates projects' resilience and adaptation with respect to business-as-usual pathways.

IDB Invest will continue to develop its "Paris-aligned" project pipeline in FY22 for execution from FY23 onward. In order to do so, IDB Invest will:

- Train climate experts to assess Paris Alignment of operations, as well as to build baseline capacity across the organization;

- Train Investment Officers and provide them with guidance to pursue only project leads that are aligned or have potential to be aligned with the goals of the Paris Agreement;

- Develop full-fledged sectoral guidelines that provide assessment criteria on whether a project can be considered Paris-aligned or not. These guides are expected to cover various financial instruments and use of proceeds, alignment with country and global/regional sectoral guidelines, carbon lock-in and stranded asset risk assessments, as well as physical climate sensitivity amongst others. These guidelines will be based on the Joint MDB Paris Alignment methodology of which IDB Invest is a contributor;

- Offer advisory solutions to clients to support them to increase their climate ambition and offer an enabling approach to align their operations with the goals of the Paris Agreement.

To complement the Paris alignment efforts, IDB Invest completed a carbon shadow pricing pilot. The objective is to assess the economic viability of projects that emit more than 25,000 tons of carbon dioxide-equivalent (CO_2e) per year in a low-carbon world, mimicking a carbon price for the project under analysis. This pilot has been accompanied by the development of an internal methodology on carbon shadow pricing, enabling IDB Invest to apply a monetary measure of both emissions and emission reductions. In parallel, IDB Invest launched the development of an integrated Greenhouse Gas (GHG) emissions estimation and reporting tool to be incorporated in its transaction management software, allowing for greater process efficiency, transparency, and accuracy of financed emissions. The system is expected to be operational in FY22 expanding the capacity for financed GHG emission monitoring and reporting. The takeaways for both carbon shadow pricing and Paris Alignment are that there is a need for more data collection and/or estimates where no data is available.

Finally, TCFD recommends identifying the organization's definitions of the short, medium and long term for climate risk assessment purposes. As such, IDB Invest defines short term as < 1 year; medium term as 1-5 years; and long term as >5 years with a vision toward net zero by 2050. These timelines are relevant for portfolio-level climate risk assessments.

-Risk Management

Highlights in 2021:
- Conducted pilot analysis of agriculture and energy portfolios for physical risk
- Mapped transition risk by sector in development-related active portfolio. Further mainstreamed the climate risk assessment methodology for direct investment projects

Climate risk assessment methodology

Anchored in the climate and natural disaster-related commitments in its Environmental and Social Sustainability Policy, IDB Invest has been applying a Climate Risk Assessment (CRA) methodology to its direct investments. The objective of the CRA is to identify and analyze both natural disaster and physical risks and carbon transition risks in a two-pronged process during transaction appraisal. As of the end of 2021, IDB Invest has screened 64 transactions for exposure to physical and transition risks with the two respective tools as part of the Environmental and Social Due Diligence, summarized in one climate risk screening report.

Identification and assessment of physical risks

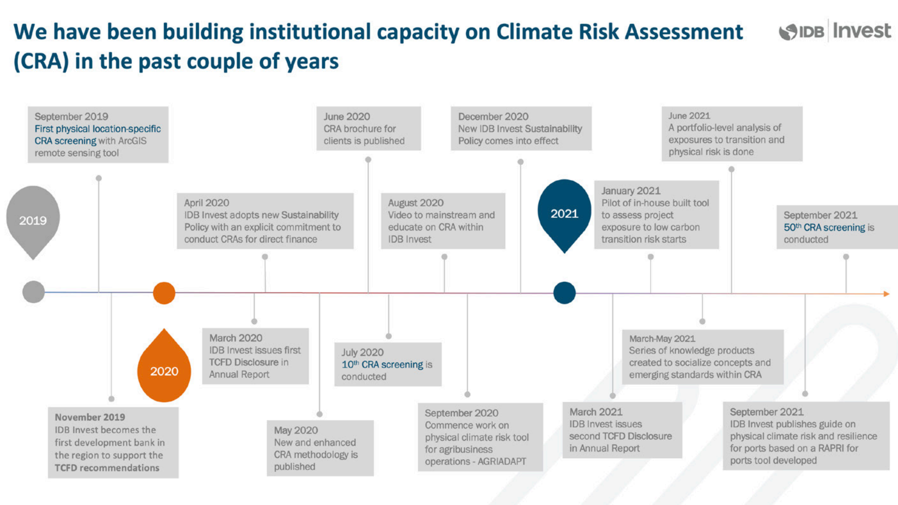
For physical and natural disaster risk, IDB Invest uses a geographical information system which screens asset locations based on over 20 different acute and chronic hazard layers including exposure to heat waves, changes in precipitation patterns, riverine flooding and hurricane wind hazard. This enables corroboration of client information and screening against both historical trends and exposures according to various climate models and scenarios.

Beyond this screening tool, IDB Invest has been developing sector-specific tools to analyze site- and project-specific physical sensitivities and vulnerabilities. A tool for the agribusiness sector – AGRIADAPT - as well as one for ports – RAPRI – are currently being piloted. Based on the RAPRI work, IDB Invest in September 2021 published 'Climate Risk and Ports: A practical guide on strengthening resilience', directed at port developers and operators. Where applicable and in accordance with its Sustainability Policy, IDB Invest may also require or recommend climate risk management-related measures to clients as part of the Environmental and Social Action Plan.

Identification and assessment of transition risks

IDB Invest uses a semi-automated transition risk screening tool which classifies transactions into low, medium, or high exposure to transition risk. The scoring is based primarily on industry and location of the project and considers other factors such as supply chain exposure. The resulting report also provides qualitative details about the transition risk profile of the project to the transaction team. This includes information on the Nationally Determined Contribution (NDC) and climate legislation of the country, as well as information on industry-specific issues such as materiality of GHG emissions by scope and decarbonization levers and challenges. For projects with medium or high exposure, a deeper analysis, also with respect to GHG emissions sheds additional light on carbon transition risk. If applicable, GHG emission estimations are made available in the publicly disclosed transaction's Environmental and Social Review Summary.

Figure 1: CRA timeline



-Portfolio exposure

Beyond project level screening, IDB Invest in 2021 conducted a pilot analysis of portfolio exposure for both physical and transition risk. The objective of this pilot was to identify potential exposure clusters and to gather intelligence on the part of the active portfolio that was approved before the CRA had been operationalized.

Physical Risk Portfolio Analysis

Latin America and the Caribbean as a region is particularly exposed to physical risks, many of which are exacerbated by climate change. The pilot included the active energy and agribusiness portfolios considering historical data and hazard exposure under up to two scenarios with different levels of emission increases (Intergovernmental Panel on Climate Change Representative Concentration Pathways (IPCC RCP) 4.5 and 8.5 towards the end of the century). The outcome of the analysis reflects the high exposure of the region as most agribusiness and energy projects are exposed to at least one and often several physical hazards. Under scenarios that take into account climate change for the upcoming decades, this exposure increases. To illustrate, almost the entire agribusiness and energy portfolio are exposed to droughts under a pessimistic climate scenario (RCP 8.5). While exposure does not indicate whether the specific project is in fact vulnerable to the hazard in question, the finding emphasizes IDB Invest's mandate to assist clients in adapting to a changing climate and to build resilience and capacity to mitigate physical climate risks in accordance with its policies. It is important to note that IDB Invest will not exclude financing for projects that are vulnerable to climate change, but rather offer an enabling approach to increase adaptive capacity and resilience in the face of climate change.

Transition Risk Portfolio Analysis

As a first step towards portfolio transition risk analysis, IDB Invest created a portfolio heatmap depicting the number of projects and USD amount that relate to sectors exposed to transition risk. The purpose was to identify clusters in areas which may be exposed to market or technology risks, regulatory changes or reputational risks related to the low carbon transition. The analysis reflects the diverse portfolio of IDB Invest with its wide array of development projects financed. In line with IDB Invest's commitment to address climate change, the IDB Invest Exclusion List limits exposure to sectors with very high transition risk.

Metrics and targets

Record year for climate finance with $1.5 Billion in closings

IDB Invest started to establish a GHG emission and reduction accounting software for financed emissions to go live in 2022.

-GHG emissions

Since 2006 the IDB Group, of which IDB Invest forms a part, has been committed to carbon neutrality for its corporate operations. It fosters renewable energy and other corporate sustainability measures in its country offices and offsets residual emissions through a series of investments in carefully selected Verified Emission Reductions from projects in Latin America and the Caribbean.

The IDB Group monitors and reports key performance indicators including Scope 1, Scope 2 and Scope 3 GHG emissions according to Global Reporting Initiative (GRI) standards. Details regarding the IDB Group's corporate emission reduction track record and management may be found in the annual IDB Sustainability Report.
IDB Invest also monitors and reports on material financed emissions, which relate to the GHG Protocol's Scope 3 Category 15: Investments. For its development-related assets, IDB Invest measures and tracks gross, or absolute GHG emissions of direct investments, where those emissions are estimated or expected to be above 25,000 metric tons carbon dioxide-equivalent (CO2e) per annum in accordance with IDB Invest's Environmental and Social Sustainability Policy Framework. IDB Invest publicly discloses project-specific GHG information as part of the Environmental and Social Review Summary and in accordance with its Access to Information Policy. The aggregated estimated figures of the applicable project finance portfolio are disclosed below.
-Climate finance and mobilization

In 2021, our projects supported clients to reduce their GHG emissions by 815,728 tCO2e. Of its $1,557M in climate finance, $103M went to adaptation finance, in line with our mandate to enhance the climate resilience of businesses in the region. Additionally, 70% of the finance mobilized by IDB Invest was linked to a transaction that had climate finance, indicating investor interest to be in deals with a climate component.

Climate-related Metrics

	2019	2020	2021
Clients supported with non-financial climate interventions (#)	56	37	41
Corporate GHG Emissions (t CO2e)[3]	3,170[4]	1,266 [5]	1.396[6]
Financed GHG Emissions of active portfolio in reporting year[7] (t CO2e)	3,848,869	4,034,522	4,954,766
Financed GHG Emission Reductions of active portfolio in reporting year (t CO2e)[8]	9,866,579	11,895,901	13,218,834
Financed GHG Emissions of new projects closed in reporting year (t CO2e)[9]	1,860,189	118,000	Not applicable[10]
Financed GHG Emission Reductions of new projects closed in reporting year (tCO2e)[11]	374,060	2,029,322	815,728
Climate finance in IDB Invest operations (% of committed amount)[12]	25%	23%	23%
Climate finance ($, millions)	1,151	1,441	1,557
Projects supporting climate change mitigation and/or adaptation (% of new commitments)	48	48	53

Climate finance by segment

Year	Corporates	Finantial Institutions	Infrastructure and Energy	Trade Finance Facilitation Program
2017	3%	4%	93%	1%
2018	5%	25%	68%	1%
2019	26%	32%	41%	1%
2020	28%	12%	58%	1%
2021	32%	16%	51%	1%

1. The TCFD working group includes representatives from: Operational Excellence, Credit Risk Management, Development Effectiveness, Environmental, Social & Corporate Governance, Environmental and Social Risk, Corporate Strategy, Legal, Treasury, Climate Advisory and the Infrastructure and Energy Division.
2. Under exceptional circumstances and on a case-by-case basis, consideration will be given to financing upstream gas infrastructure where there is a clear benefit in terms of energy access for the poor and where greenhouse gas (GHG) emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analyzed.
3. This corresponds to the combined Scope 1, Scope 2 (location-based) and Scope 3 IDB Group figure, prorated with the proportion of employees working for IDB Invest, which has gradually increased in recent years (12.8% in 2019, 13.8% in 2020, 15.09% in 2021). Further information on GHG accounting methodology, reduction targets and carbon neutrality is available in the IDB Sustainability Report and its GRI Annex.
4. Scope 1: 146 t CO2e; Scope 2 (location-based): 1233 t CO2e; Scope 2 (market-based): 236 t CO2e; Scope 3: 1791 t CO2e.
5. Scope 1: 111 t CO2e; Scope 2 (location-based): 873 t CO2e; Scope 2 (market-based): 162 t CO2e; Scope 3: 282 t CO2e. These numbers as well as the total figure may differ from the reported figure in FY2020 as those were provisional figures at the time.
6. Provisional data. Final data for the IDB Group will be available in the 2021 IDB Sustainability Report.
7. This figure refers to estimated gross combined Scope 1 and 2 GHG emissions of project finance transactions emitting over 25,000 t CO2e per year, which were in the active portfolio of IDB Invest in the respective reporting year. This figure excludes biogenic CO2e emissions from stationary sources. Estimates for FY2020 may differ from the reported figure in FY2020 as those were provisional figures at the time.
8. This figure refers to the estimated CO2e emissions reduced per year by projects that were in the active portfolio of IDB Invest in the reporting year. Reductions from investments in Financial Institutions are not included.
9. This figure refers to estimated gross emissions from project finance transactions emitting over 25,000 t CO2e per year. It refers only to new commitments in the reporting year, calculated as the annual emissions expected to be produced during a representative year. This figure excludes biogenic CO2e emissions from stationary sources.
10. According to provisional estimates, there are no new project finance commitments in 2021 which are expected to produce more than 25,000 t CO2e in a representative year.
11. This figure refers to the estimated CO2e emissions reduced per year by new projects closed in the reporting year. Reductions from investments in Financial Institutions are not included.
12. This figure refers to all financing including short-term financing. The reporting according to the joint MDB methodology concerns medium- and long-term climate finance only.