MANAGEMENT GRIEVANCE MECHANISM 2024

A YEAR IN REVIEW

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Letter from the ***Chief Risk Officer***

At IDB Invest, we are moving towards a bolder, impact-driven approach, crowding in more investors, expanding our in-country presence to further support more growth in Latin America and the Caribbean.

Our Board of Governors approved a $3.5 billion capital increase in March 2024. This milestone approval was a vote of confidence in our capacity to turn our vision for Latin America and the Caribbean into reality.

The increase will boost our new institutional strategy and our ability to finance projects with the private sector. We are mobilizing private capital at scale, leveraging an originate-to-share model that enhances impact while optimizing capital. By working closely with investors, businesses, and governments, we are helping create enabling conditions for long-term private sector growth in the region.

With increased scope for growth comes greater responsibility to ensure environmental and social risks are addressed throughout the project cycle.

To achieve this, we apply a set of robust environmental and social risk management standards,[1] which are at the core of our development mandate. Our clients are required to conduct meaningful stakeholder engagement and grievance responses, ensuring that interested and affected communities are involved and listened to throughout.

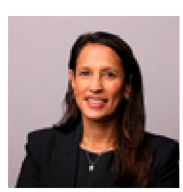
As part of our commitment to sound environmental and social management, IDB Invest established the Management Grievance Mechanism (MGM) as a channel to permit individuals, communities, and groups to submit complaints and concerns around environmental or social issues related to projects financed, or being considered for financing by IDB Invest. The MGM works proactively and collaboratively with IDB Invest's project teams, complainants, clients, and other stakeholders to reach solutions for environmental and social issues. It provides inputs to IDB Invest that allow us to enhance and strengthen our adherence to these factors.

In 2024, the MGM received 27 grievances, an increase of 58% compared to 2023. This indicates increased awareness of the tool among external stakeholders, which is a positive outcome for IDB Invest.

I invite you to learn more about the MGM statistics, lessons and outreach activities from the grievances received and managed in 2024. The report's findings demonstrate the crucial role the MGM plays as, together with our partners, we deploy innovative financial solutions to better serve the people of the region.

My sincere thanks to IDB Invest's project teams, complainants, clients, and other stakeholders that work together for increased social inclusion, accountability and sustainability for a more prosperous Latin America and the Caribbean region.

There is greater recognition that unlocking private capital is essential for this sustained, inclusive growth. IDB Invest will be there, with our partners and clients, every step of the way.



Rachel Robboy
Chief Risk Officer

1 These are presented in IDB Invest's Environmental and Social Sustainability Policy.

1. INTRODUCTION

The Management Grievance Mechanism (MGM) was created in December 2020 to foster a proactive dialogue with stakeholders and communities that could be affected by projects financed or considered for financing by IDB Invest. Once fully operational in May 2021, the MGM served as a channel for individuals, communities, and groups to submit complaints and concerns around environmental or social issues related to projects financed or being considered for financing by IDB Invest.

The main objectives of the MGM are: i) providing effective and timely solutions to communities; ii) enhancing client's environmental and social risk management, and iii) generating lessons learned for the institution.

The MGM follows a simple **five-step process:**

Submission

Eligibility

Asessment

Response

Monitoring

1 **Submission.** We receive the grievance through any of the available channels in any language and format. To better understand the issues of the grievance and present the grievance system, the MGM reaches out to the claimant(s). The most used channels by external stakeholders are email and the online form.

2 **Eligibility.** For this step we check if a grievance a) is related to a project that is financed or considered for financing by the IDB Invest, and b) is related to an environmental and/or social issue the project. When issues relate to ethics, corruption or integrity, the MGM forwards the grievance to the relevant office at the IDB Group. When issues are related to Access of Information, they are forwarded to the Transparency Hub. Complainants will be informed within five days of this decision.

3 **Assessment.** When a complaint is considered eligible, the MGM team conducts an assessment to better understand the issues of the grievance, as well as contextual relevant information and the status of the project and possible solutions. During this phase, the MGM officer reaches out to the complainant(s) and project team(s) and discusses possible solutions to the issues raised.

4 **Response.** As a result of a collaborative process, the MGM works closely with the complainants and the client to seek the most suitable ways to address the grievance. A response with concrete actions, agreed upon with the client, is proposed to the claimant. The solution is based on a dialogue with all relevant stakeholders and supported by the project team's interactions with the client.

5 **Monitoring.** The actions agreed upon will be monitored by the MGM for a specific time frame until closure. When issues of the grievance cannot be addressed with concrete actions, the MGM can propose an ongoing engagement process with the complainant and keep an active dialogue around the concerns presented.

Five considerations for our stakeholders

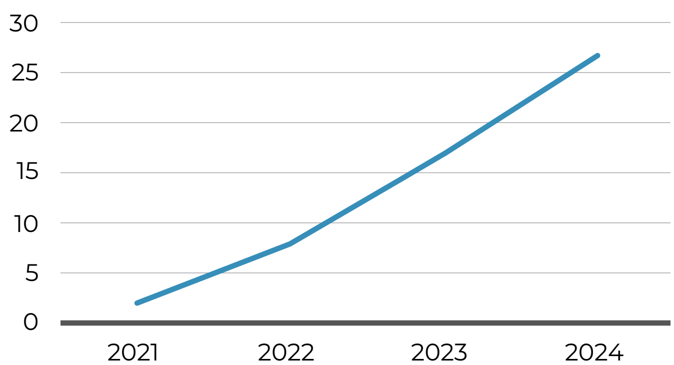
- **Confidentiality**. IDB Invest recognizes that claimants might feel uncomfortable or unwilling to disclose their identities when filing a grievance, either for fear of retaliation or other reasons. The MGM will maintain confidentiality of identities and identifying information.
- **Accessibility and communication**. The MGM is available, at any time, to any stakeholder interested in filing a grievance, which are received in any type of format and language. Throughout the MGM process, means of communication will be chosen based on the preferences of the complainant, and ensure no barriers of access are present. Stakeholders will be guided through the process, and any questions will be clarified.
- **Proportionality.** Every grievance will be processed with the same level of care and attention. However, following the principle of proportionality, the level of efforts invested in addressing the grievance will be commensurate to the level of risk and unique characteristics of each grievance received.
- **Claimant driven process.** The MGM will focus on finding solutions to issues raised. This problem-solving process is a collaborative work with IDB Invest project teams and the client, in coordination with the claimant. In any case, the claimant can decide to withdraw any time.
- **Source of learning**. The MGM process is a great opportunity for IDB Invest and clients to learn from stakeholder's feedback. Both individually, as well as systemically.

II. STATISTICS

Grievance management

In total, the MGM received **27 grievances** in 2024. This has been an increase of 58% compared to 2023 and points to an improved awareness by external stakeholders and increased use of the tool to file grievances.

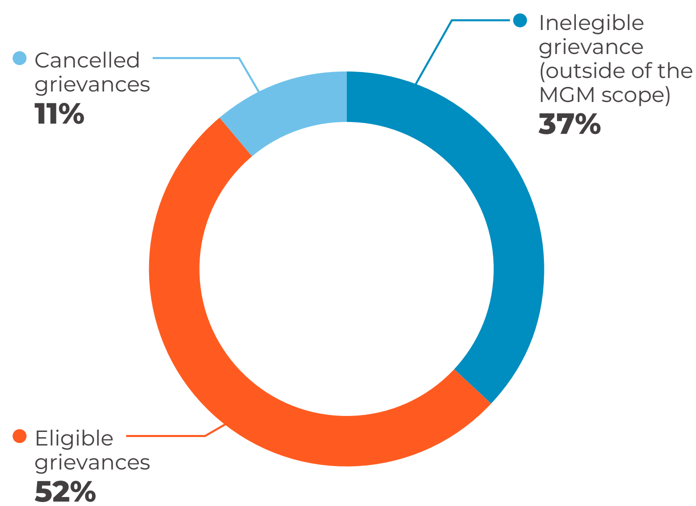
Grievances received



Out of the 27 received grievances, 10 were ineligible, 3 were cancelled and 14 were eligible for a MGM process.

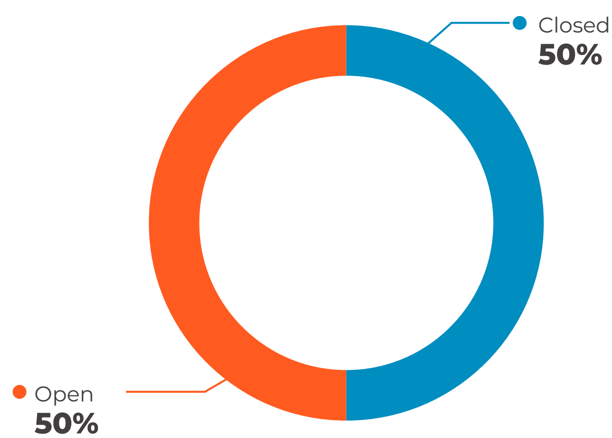
The main reasons for ineligibility were: issues related to an IDB financed project, issues related to fraud or access to information matters. These grievances were transferred to the relevant offices (IDB grievance protocol, Office of Institutional Integrity and the Transparency Hub).

MGM Eligibility



In total, the MGM handled **20 eligible cases in 2025**, as six were carried over from the previous year. 50% of the cases were closed in 2024, and 50% remain active at years' closure.

Status by end of 2024

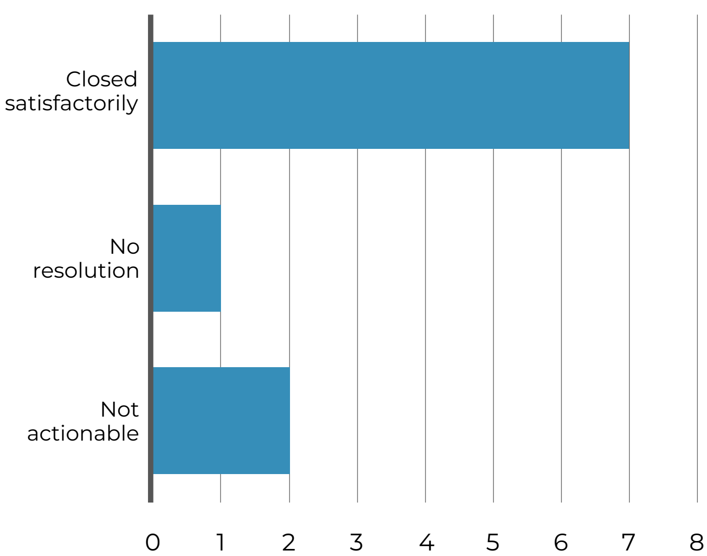


Out of all 20 eligible grievances, seven were closed satisfactorily, two grievances were not actionable, and one had no resolution.

Five of the cases that were closed satisfactorily were related to labor issues. Independently of the individual results, in all of these cases the claimants verbalized their appreciation with i) the quick and personalized attention given to the matter; ii) the enhanced supervision efforts to verify potential existence of systemic issues, and iii) the confidentiality dispositions.

Another case was successfully referred to the project level grievance, who solved the issues of the grievance, while at the same time verifying the correct functioning of the online complaint form. The complainant was satisfied with the efforts made by the MGM to quickly engage with the client on the matter. In another grievance, despite not having fully met their expectations, the neighbors presenting the issues appreciated the actions taken by IDB Invest to i) listen to their concerns and provide a response; ii) further look into the issues raised with external expertise, and iii) work with the client to emphasize the need for a robust stakeholder engagement and project level grievance redress.

Reasons for closure



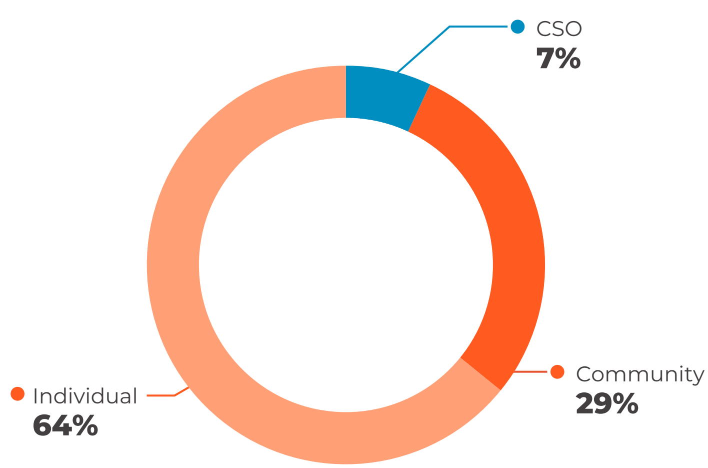
Two eligible grievances were determined not actionable as no concrete actions were possible to address the grievance with the attention desired by claimants, and the lack of response by the claimant throughout the MGM process.

Finally, one grievance was closed without resolution. Despite efforts made to address the issues presented in the complaint, the claimant did not accept the solutions offered and the scope of the MGM process was exhausted. The claimant was not satisfied with the outcome.

By the end of the year, 10 eligible cases remained active and were carried over to 2025.

In terms of claimants, from all 15 eligible grievances received in 2024, more than 60% are individuals, while 4 were presented by individuals and 1 by a Civil Society Organization.

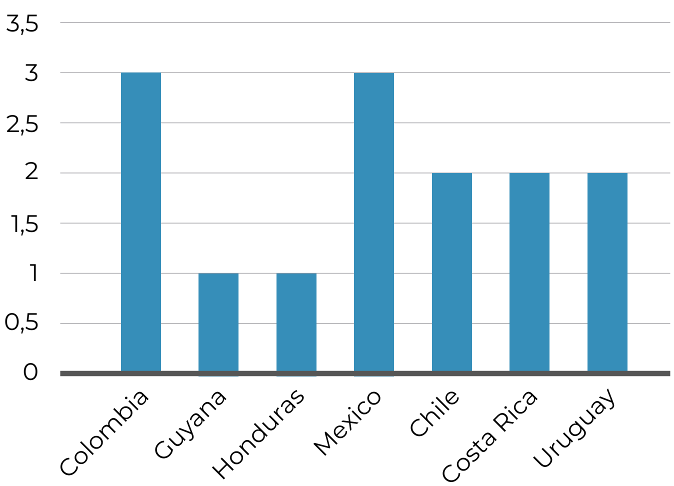
Claimants



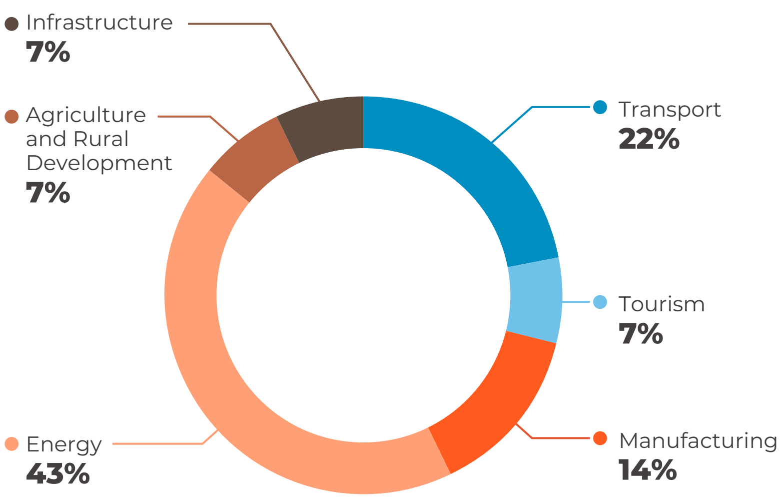
Geography, Sector and Risk category

Out of the 14 eligible grievances received in 2024, most are from Colombia and Mexico and refer to the energy sector.

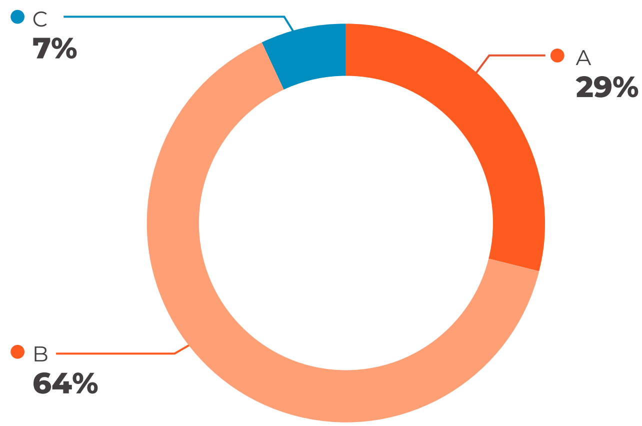
Country



Sector



Environmental and social risk category



In terms of Environmental and Social Risk category, most grievances were related to Cat. B projects, while 29% were related to Cat. A projects, and 1 to Cat. C.[2]

2 *Category A: activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. Category B: activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Category C: projects with minimal or no adverse environmental or social risks and/or impacts.*

Benefits of the MGM

For communities/ external stakeholders

- Addresses concerns in a timely manner
- Seeks solutions to problems
- Increases trust

For clients

- Flags important reputational & operational risks
- Strengthens ESG performance
- Supports stakeholder buy in

For IDB Invest

- Flags issues
- Early warning tool
- Generates lessons learned

III. KEY TOPICS AND EMERGING TRENDS

Labor and working conditions. In 2024, the MGM received an increased number of grievances related to working conditions and labor, i.e. workplace harassment, discrimination, unreasonable dismissal, unfair or delayed pay, among others. In most cases, the grievances also referred to a lack of trust in the mechanism that employees use to channel complaints - known as the project workers' mechanism - and the activation of the local judicial labor system. When addressing these grievances, the following approach has been implemented.

- With the requesters: i) confirm and ensure confidentiality requirements in case retaliation risk is present; ii) manage expectations as to the limited scope of resolution of the MGM for these types of claims, especially when dismissals have already materialized, and iii) inform about engagement with the client to respond to the grievance.

- With the client: i) enhance supervision efforts to analyze the existence of a potential systemic issue regarding labor and working conditions; ii) review the functioning, effectiveness and legitimacy of the Workers Grievance Mechanisms, and iii) reinforce, with the client, IDB Invest's zero tolerance to retaliation and request the client to incorporate anti-reprisal requirements in its grievance procedures.

Request for confidentiality. During 2024, the MGM received a high number of requests for confidentiality. In many cases, these to claims around labor issues and fear of retaliation due to contextual risk. In all situations, the MGM verifies confidentiality requirements with all claimants, which is granted for their names and the identifying information. When granting confidentiality, the scope for concrete solutions may be limited, as these are generally discussed with the client. Claimants are informed of any implications for process results from the beginning of the process to manage expectations clearly.

Stakeholder engagement. Open, transparent, inclusive engagement between the client and stakeholders is key to enhancing the environmental and social sustainability of investments. In that sense, IDB Invest requires clients to conduct meaningful stakeholder engagement, that is ongoing and iterative throughout the project cycle. In two cases received, communities in the vicinity of the project indicated that a change in the social team responsible for the implementation of commitments local community, as well as grievance response, led to a reduced engagement and therefore increased the risk of losing trust in the client despite commitment to robust social engagement activities. Ensuring consistency in the approach and engagement with communities, independently of the project cycle, even when changes in personnel occur, are important to a meaningful relationship between clients and the community.

IV. LESSONS LEARNED

Internal dissemination. It is not uncommon that stakeholders reach out to project teams during field missions, when conducting the environmental and social supervision. In many cases, they express concerns, questions or even grievances. In 2024, the MGM experienced an increased number of referred grievances, meaning those that were sent by project teams. Efforts to internally disseminate the grievance system and process are paramount to ensure a harmonized approach to grievances; ensure early attention and response; foster collaborative problem solving involving staff from different areas within IDB Invest both in Headquarters and in the Region, and discuss and disseminate lessons learned.

Complainant driven process. The MGM process brings benefits for communities, the clients and the projects, but it is complainants that are at the center of the process. This means that proposals to address the grievance will be worked on collaboratively with all involved stakeholders. In any case, complainants who file grievances can withdraw from the process anytime. IDB Invest will use the claim's input for the supervision and seek to strengthen the project level grievance mechanisms, if needed.

Inter-institutional collaboration. In 2024, the MGM continued to work closely with the IDB protocol, IDB's grievance mechanism. Among others, collaboration was reflected through ensuring quick transfer of grievances that came under IDB's mandate, while ensuring confidentiality was granted; conducting joint outreach activities; and sharing of lessons learned on grievance redress, engagement with internal and external stakeholders, retaliation risk, among others.

V. REACHING OUT TO YOU

New website. In 2024, the MGM revamped its website with the objective of creating more awareness of the grievance response tool. The new website revamp was focused on creating more useful content, including a mobile responsive design and adding clear and simple language. The website is also in the four official language. The website is also in the four official languages of IDB Invest. You can visit it here.

If you have any ideas to improve our website, please let us know. Your feedback is important to us!

External and internal outreach. Creating awareness about the existence of MGM is fundamental. In 2024, the MGM conducted several sessions with different teams in IDB invest and held a virtual session for interested stakeholders such as CSOs, academia, governmental agencies and indigenous leaders in Portuguese, Spanish and English.

Knowledge sharing. As in previous years, the MGM team worked closely with other multilateral organizations around Management-Led grievance Mechanisms. The participation of the MGM team in two working group meetings with colleagues from eight institutions who have management-led grievance functions, or are in the process of developing them, was useful to exchange knowledge on best practices for environmental and social grievance redress.

Contact us

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