

IDB Invest

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Introduction

Between February 2021 and November 2022, Interamerican Investment Corporation (“IDB Invest”) issued two sustainability, five social and six green bonds to finance or refinance green and social projects related to clean transportation; climate change adaptation and climate resilience; energy efficiency; environmentally sustainable management of living natural resources and land use; renewable energy; sustainable water and wastewater management; access to essential services; affordable basic infrastructure; employment generation and programs to alleviate unemployment from socio-economic crises; food security and sustainable food systems; social infrastructure; and socioeconomic advancement and empowerment (collectively, the “IDB Invest Sustainable Bonds”). In 2023, IDB Invest engaged Sustainalytics to review the projects financed with proceeds from the IDB Invest Sustainable Bonds (the “Nominated Projects”) and provide an assessment as to whether the Nominated Projects met the use of proceeds criteria and the reporting commitments outlined in the 2020 IDB Sustainable Debt Framework¹ (the “Framework”). This is Sustainalytics’ second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in 2022.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories and Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
Access to essential services	Water and sanitation <ul style="list-style-type: none"> • Water and sanitation services • Wastewater collection and treatment Energy <ul style="list-style-type: none"> • Energy services
Affordable basic infrastructure	Social infrastructure <ul style="list-style-type: none"> • Health and education infrastructure • Deployment of ICTs in hospitals and clinics • Projects that promote access to education programs • Expansion or upgrade of learning spaces (schools, universities, private education services providers to complement public sector offering, etc.) • ICTs to improve teaching and learning processes; promoting initiatives to close the gender and ethnic gaps in the education sector Transport <ul style="list-style-type: none"> • Improvement of regional infrastructure to promote enhanced connectivity

¹ IDB Invest’s Sustainable Debt Framework is available on their website at: https://www.idbinvest.org/sites/default/files/2022-11/Sustainable%20Debt%20Framework%20_low.pdf

Employment generation and programs to alleviate unemployment from socio-economic crises	<ul style="list-style-type: none"> • Projects that benefit a region with a high incidence of poverty/ economic vulnerability, or target beneficiaries from the poor or vulnerable strata
Food security and sustainable food systems	<p>Agribusiness and manufacturing</p> <ul style="list-style-type: none"> • Modernization and productivity increase in agriculture or firms • Investments to boost sector growth and exports
Socioeconomic advancement and empowerment	<p>Telecom</p> <ul style="list-style-type: none"> • Technology, media, and telecom (TMT) services, including fixed or mobile broadband, and mobile voice service • Rehabilitation/ reinforcement of long-haul network infrastructure and overloaded urban networks and associated facilities <p>Financial Institutions and Fintech</p> <ul style="list-style-type: none"> • Access to finance • Financial inclusion and microfinance • Digitalization
Clean transportation	<ul style="list-style-type: none"> • Clean public transportation
Climate change adaptation and climate resilience	<ul style="list-style-type: none"> • Investments that address current and expected effects of climate change, where such effects are material for the context of those activities. • Green lines on lending for the adoption of a product, equipment, technology or service that helps to manage physical climate risks and related impacts and adapt to climate change.
Energy efficiency	<ul style="list-style-type: none"> • Energy efficiency investments designed to reduce energy consumption from a baseline.
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Climate smart agriculture, reforestation, biodiversity, and ecosystems conservation. • Investments to ensure adequate management of the availability, quality and use of water resources. • Projects that promote innovative green infrastructure interventions and measures for the mitigation of GHG emissions and adaptation to disaster risks and climate change, including risk management for droughts, floods, and sea level rise. • Conversion of non-certified production to third-party certified production. • Waste reduction and recycling
Renewable energy	<ul style="list-style-type: none"> • Power generation from renewable sources • Energy efficiency (street lighting, new/renovated buildings, EDGE certification) • Transmission lines and distribution systems to enable the penetration of renewable energy generation
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Investments that materially reduces the use of water per unit of production from a baseline

Table 2: Key Performance Indicators

Use of Proceeds Category	Key Performance Indicators
Access to essential services	<p>Water and sanitation</p> <ul style="list-style-type: none"> • Number of households with improved access to water or sanitation. • Number of households from underserved and/or diverse or excluded populations with improved access to water or sanitation • Average hours of continuous water supply per day <p>Energy</p> <ul style="list-style-type: none"> • Number of households with improved access to energy services
Affordable basic infrastructure	<p>Social infrastructure</p> <ul style="list-style-type: none"> • Number of students benefited by education projects • Number of students from underserved and/or diverse or excluded population benefited by education projects • Educational facilities built or upgraded • Number of beneficiaries receiving health services • Number of beneficiaries from underserved and/or diverse or excluded population receiving health services <p>Transport</p> <ul style="list-style-type: none"> • Roads built or upgraded (km) • Urban rail and bus mass transit systems built or upgraded (km) • Number of average daily passenger traffic – passengers • Number of average daily traffic – vehicles • Container cargo handling capacity – TEUs/ year
Employment generation and programs to alleviate unemployment from socio-economic crises	<ul style="list-style-type: none"> • Number of beneficiaries of employment support initiatives • Number of women beneficiaries of economic empowerment initiatives • Number of diverse population beneficiaries of economic empowerment initiatives • Number of jobs supported • Number of enterprises provided with technical assistance
Food security and sustainable food systems	<ul style="list-style-type: none"> • Number of farmers and MSME with improved access to agricultural services and investments • Production capacity (TBD based on specific project) • Total value of sales (\$ Million) • Value of exports sales (\$ Million)
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Beneficiaries with new access to at least a 4G mobile network (%). • Kilometers of new lines or of lines upgraded (long-haul/backhaul/metro, fiber optics or other technologies) • Amount of international trade supported (\$) • Number of MSMEs financed • Value of loans disbursed to MSMEs (\$ Million) • Number of women beneficiaries of economic empowerment initiatives
Clean transportation	<ul style="list-style-type: none"> • Emissions avoided (annual tonnes CO₂ equivalent)
Climate change adaptation and climate resilience	<ul style="list-style-type: none"> • Increased water availability through water savings or through the provision of additional usable water (Δm^3/year) • Increased energy availability through energy savings or through increased energy generation (ΔMWh/year) • Increased agricultural potential through improvements in soil quality, for example reduced soil erosion, increased soil carbon content or reduced soil salinity. (e.g., Δ tonnes/hectare/year (soil erosion)) • Reduced weather-related disruption (reduction in the amount of time that a system or elements of a system are rendered inoperable (i.e., lost operational expenditure) due to acute climate risks (e.g., Δdays/year downtime) • Reduced weather-related damage

	<ul style="list-style-type: none"> • Meters of coastline protected • Hectares of natural habitat restored/preserved • Increased income or avoided decrease in income • Number of people directly supported by the project to adapt to climate change (disaggregated by gender)
Energy efficiency	<ul style="list-style-type: none"> • Energy savings (MWh) • Fossil fuels saved (gal, l) • Emissions avoided (annual tonnes CO₂ equivalent)
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Value of investments in resilient and/or low-carbon infrastructure • Fossil fuels saved (gal, l) • Tonnes of CO₂ sequestered
Renewable Energy	<ul style="list-style-type: none"> • Installed power generation from renewable energy sources (MW) • New/upgraded power transmission lines (km) • Energy generated from renewable sources (MWh) • Number of households from underserved and/ or diverse or excluded populations with improved access to energy services • Emissions avoided (annual tonnes CO₂ equivalent)
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Water savings (m³) • Wastewater treated (m³)

Issuer's Responsibility

IDB Invest is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the IDB Invest Sustainable Bonds. The work undertaken as part of this engagement included collection of documentation from IDB Invest and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by IDB Invest. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by IDB Invest.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework.

IDB Invest has disclosed to Sustainalytics that the net proceeds from the 2021 bond issuances were fully allocated by December 2022. For the 2022 bond issuances, 48% of net proceeds were allocated as of December 2023, with the remaining proceeds expected to be fully allocated by the end of year 2024.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendix

Appendix 1: Allocation Reporting by Eligibility Criteria

In 2021 and 2022, IDB Invest issued two sustainability five social and six green bonds under the Framework with a total value of USD 3.72 billion. Of the total allocation, around 41% of the net proceeds were used in financing new projects while 59% were used for refinancing existing projects. IDB Invest intends to fully allocate the proceeds by December 2024. The table below provides a category-wide allocation of use of proceeds:

Table 4: Allocation Reporting by the Eligibility Criteria

Sustainability Theme	Use of Proceeds Category	Net Proceeds Allocation in 2022 (USD million)	Cumulative Net Proceeds Allocation (USD million)
Social	Access to essential services	15.27	128.28
	Affordable basic infrastructure	84.68	90.68
	Employment generation and programs to alleviate unemployment from socio-economic crises	18.11	275.11
	Food security and sustainable food systems	19.86	28.54
	Socioeconomic advancement and empowerment	355.46	1,154.44
Green	Clean transportation	15.50	15.50
	Energy efficiency	1.00	21.38
	Environmentally sustainable management of living natural resources and land use	109.00	109.00
	Renewable Energy	402.19	789.63
	Sustainable water and wastewater management	1.43	14.44
Total proceeds allocated (USD million)		1,022.49	2,626.99
Unallocated Amount (USD million)		1,093.47	1,096.82
Total amount issued (USD million)		2,115.97	3,723.82

Table 5: Allocation Reporting by Country

Country	Net Proceeds Allocation for 2022 (USD million)	Allocation of Proceeds for 2022 (%)	Cumulative Net Proceeds Allocation (USD million)	Cumulative Allocation of Proceeds (%)
Argentina	0.00	0.00	6.00	0.23
Belize	4.00	0.39	4.00	0.15
Brazil	266.95	26.11	560.33	21.33
Chile	39.00	3.81	172.00	6.55
Colombia	71.52	6.99	275.66	10.49
Costa Rica	0.00	0.00	20.00	0.76
Dominican Republic	20.00	1.96	20.00	0.76
Ecuador	76.37	7.47	226.37	8.62
El Salvador	103.87	10.16	171.87	6.54
Guatemala	0.00	0.00	100.00	3.81
Honduras	25.00	2.44	94.00	3.58
Jamaica	0.00	0.00	35.00	1.33
Mexico	43.86	4.29	303.72	11.56
Nicaragua	0.00	0.00	17.50	0.67
Panama	4.11	0.4	93.11	3.54
Paraguay	110.99	10.85	125.87	4.79
Peru	202.00	19.76	343.92	13.09
Regional	41.00	4.01	41.00	1.56
Uruguay	13.84	1.35	16.65	0.63
Total	1,022.49	100.00	2,626.99	100.00

Appendix 2: Reported Impact by the Eligibility Criteria

Table 6: Reported Impact by the Eligibility Criteria

Sustainability Theme	Use of Proceeds Category	Eligible Projects Financed	Impact Reported
Social	Access to essential services	Funding provided in Brazil, Peru, and Uruguay for providing new or improved access to a tap-water, energy services, and educational facilities.	<ul style="list-style-type: none"> • 324,283 households with improved access to water or sanitation
	Affordable basic infrastructure	Funding provided in Argentina, Colombia and Paraguay to expand and upgrade healthcare services, and for building or upgrading roads.	<ul style="list-style-type: none"> • 1,172,325 beneficiaries of health services • 154 km of roads built or upgraded
	Employment generation and programs to alleviate unemployment from socio-economic crises	Funding provided in Panama, Honduras, Ecuador, Nicaragua, Mexico and Belize to support the productive activities of the client companies with an impact on employment. Financing also supports the client value chain (e.g., farmers or MSMEs suppliers).	<ul style="list-style-type: none"> • 41,257 jobs supported by firms • 684 beneficiaries of employment support initiatives • 11,045 women beneficiaries of economic empowerment initiatives

	Food security and sustainable food systems	Funding provided in the food and agribusiness sector of Ecuador, Mexico and Paraguay to support CAPEX and working capital to expand production capacity and boost exports.	<ul style="list-style-type: none"> • USD 1490.76 million in total value of sales • USD 988.47 million in value of exports sales
	Socioeconomic advancement and empowerment	Funding provided across Latin American countries ³ to enable access to credit for MSMEs, women owned- or led-MSMEs and low-income households	<ul style="list-style-type: none"> • 1,976,715 MSMEs financed • 98,156 women beneficiaries of economic empowerment initiatives • USD 1,260.41 million in amount of international trade supported
Green	Clean transportation	Funding provided to support acquisition of green mobility in Colombia	<ul style="list-style-type: none"> • KPI not available⁴
	Energy Efficiency	Funding provided in Ecuador, Colombia and Brazil in energy efficiency projects that result in energy savings that help reduce or avoid GHG emissions.	<ul style="list-style-type: none"> • 79,546 MWh of energy saved
	Environmentally sustainable management of living natural resources and land use	Funding provided in Brazil in projects pertaining to sustainable management of living natural resources and land use that can help sequester carbon.	<ul style="list-style-type: none"> • 3.88 million tonnes CO₂ equivalent sequestered
	Renewable Energy	Funding provided across Latin-American countries ⁵ for investment in solar and wind power generation, as well as transmission lines and distribution systems to enable the penetration of renewable energy generation.	<ul style="list-style-type: none"> • 2,773 MW of installed power generation from renewable energy sources • 4.16 million tonnes CO₂ equivalent of GHG emissions avoided • 11,730,452 MWh of energy generated from renewable sources
	Sustainable water and wastewater management	Funding provided in Brazil for the expansion of sanitation services and water-treatment infrastructure serving the Metropolitan Region of Recife.	<ul style="list-style-type: none"> • 21,57,34,958 m³ of wastewater treated

³ Latin American countries under this category include Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Panama, Paraguay, Peru.

⁴ IDB Invest has communicated to Sustainalytics that the allocation of proceeds to the clean transportation category was closed at the end of 2022. Therefore, the impact figures for this category will be available by Q3 of 2024.

⁵ These countries include Brazil, Chile, Colombia, Ecuador, El Salvador, Honduras, Mexico, Peru and Uruguay.

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