

1. **Scope of Environmental and Social Review.** The environmental and social review of the proposed transaction was carried out through desk research, a client web-conferencing call, and a pipeline discussion. Valor has been fund managers for operations with the IFC and IDB Lab. They are new clients to IDB Invest and will make minor enhancements to their existing Environmental and Social Management System (ESMS) for the fund in question.
2. **Environmental and Social Categorization and Rationale.** The proposed project is classified as an FI-2 per IDB Invest's Environmental and Social Sustainability Policy. Equity investments to be supported by the Fund will be in the Financial Services, HealthCare, Education, Logistics, Retailtech, Enterprise softwares/SaaS technology sectors and transportation technology sectors. Investments are expected to be made in a limited number of companies, averaging US\$ 10-15 million per investment. Category A sub-projects, per IDB Invest's definition, will be excluded.
3. **Environmental and Social (E&S) Risks and Impacts.** The main E&S risks of this project are associated with the Fund's capacity to identify and manage the E&S risks associated with its investment activities. The Fund Manager will be expected to apply best practices in identifying, mitigating and managing any issues found in investments. The Environmental Social Health and Safety (ESHS) impacts and risks associated with investments in the technology sectors and subsectors are likely to be minimal in nature.
4. **Mitigation Measures.** Valor currently has an Environmental and Social (E&S) Policy, an E&S officer and conducts basic E&S risk screening on its investments. The Fund Manager will be required to ensure that all investments comply with IDB Invest's Exclusion List, applicable E&S local laws, and apply an ESMS consistent with Performance Standard 1. The Fund's ESMS will include a basic categorization guide, updated due diligence checklist, legal clauses and monitoring procedures. Valor Capital Group will define action plans as necessary with companies and monitor their performance. The Fund Manager will be required to provide an annual Environmental and Social (E&S) Compliance Report and also E&S due diligence reports of the first three investments to IDB Invest, after an ESMS update. The Fund will be expected to analyze, categorize and propose mitigation measures consistent with its Policy and ESMS. The Fund manager will be expected to develop a comprehensive Human Resources (HR) policy with an internal grievance mechanism. The Fund is not expected to finance any high-risk sectors. See below for a list of actions defined under this transaction.
5. **Environmental and Social Action Plan**

Activity	Description	Compliance Indicator	Timeline
ESMS update	Valor will formalize its practices in an updated ESMS system and present that to the investment committee. The ESMS will follow IDB Invest requirements, the IDB Invest Exclusion List, and IFC Performance Standard 1	Updated ESMS	9 months post disbursement
Review of the first three operations (after ESMS update)	Valor will provide detailed E&S due diligence reports of the first three operations (prior to investment), with aim to; (i) confirm the categorization and level of analysis undertaken, and (ii) review the proposed action plans, if any	E&S due diligence reports and action plans	9 months post disbursement

E&S capacity building	Senior management, investment officers and analysts will be trained on the ESMS updates and IFC Performance Standards. New personnel will also be trained	Certificates of training completion (annual reporting for new personnel)	6 months post disbursement
Development of HR Policy and internal grievance mechanism	An HR policy will be developed for the Fund and will include an internal grievance mechanism in accordance with IFC Performance Standard 2	HR Policy with internal grievance mechanism	6 months post disbursement

6. Contact Information For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email divulgacionpublica@iadb.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1(202) 623-3952.