

1. **Project Description** The proposed project is for a debt financing of up to US\$60 million to Eco-business I Sub-Fund for Latin America and the Caribbean (the “Fund” or “Eco-business”) not exceeding 25% of the Fund’s total size. The financing will be comprised of three unsecured subordinated loans: An up to US\$12 million loan to be funded by IIC (the “IIC A Loan”) and an up to US\$28 million funded by IDB (the “IDB A Loan”) and an up to US\$20 million co-loan from the China Co-Financing Fund for LAC (the “Co-Loan”). The Loans will have a tenor of up to 7 years with an up to 4.5-year grace period. The Fund will lend to Financial Intermediaries who will on-lend to corporate clients who are certified according to one of 21 different sustainability certification labels.

2. **Environmental and Social Categorization and Rationale** This operation is classified as an FI-2 under the IIC’s Sustainability Policy. Based upon the nature of this transaction (i.e. a partnership to provide funding to a Fund for ultimate on-lending to sustainably certified companies), there are likely to be minimal to moderate direct environmental, social or health and safety (ESHS) and labor impacts and risks. The investment sectors are diverse and include agriculture, agro-industry, fisheries, retail and commerce, and forestry, among others. There are currently six FI institutions in portfolio (Costa Rica, El Salvador, Nicaragua and Ecuador) and all sub-loans to end borrowers will be less than US\$1 million. The Fund will not be permitted to invest in Category A sub-projects. The applicable E&S requirements include the IIC’s Exclusion List, national E&S laws and regulations, and the certification standards of the eligible sustainability labels.

3. **Environmental and Social Risks and Impacts** Environmental and social risks may be related to occupational health and safety, supply chains, land-use change, and pesticide / chemical use. Eco-business Fund will be required to manage these risks through the application of an Environmental and Social Management System (ESMS) in the form of Investment Guidelines. Eligible sub-loans must be able to demonstrate a positive contribution to biodiversity or sustainable use of natural resources. The Investment Guidelines clarify the 21 eligible green labels, the due diligence process, minimum environmental and social standards, and the application of the Fund’s exclusion list. Finally, technical assistance resources are available to support capacity building for recipient FIs (to include enhancement of environmental and social management).

4. **Mitigation Measures / E&S Action Plan** There is no action plan required for Eco-Business Fund. IIC will monitor environmental and social performance through annual reporting and in discussions with the Fund’s E&S Manager.