



IDB Invest Sustainability Agenda

May 25th, 2021 –

Contents

A. The Sustainability Agenda & IDB Invest Strategy

B. Value Propositions: Translating trends into product offerings

C. Beyond IDB Invest: IDB Group Value Proposition



A.

The Sustainability
Agenda: Beyond
Compliance



Context: Sustainability is now mission critical for businesses

- *If business wants to endure immediate and future risks, becoming sustainable is a necessity – not only a corporate responsibility*



The SDGs reflect current global challenges, which have specific impact on business

- Increased cost of inputs
- Revenue and cost impacts of social dislocation & market disruptions
- Lost revenue due to quality concerns
- Brand and reputation risk and loss of control
- Increased management cost/complexity

Three underlying principles help guide engagement with the SDGs:

Universality

Recognize the SDGs apply on **all businesses**

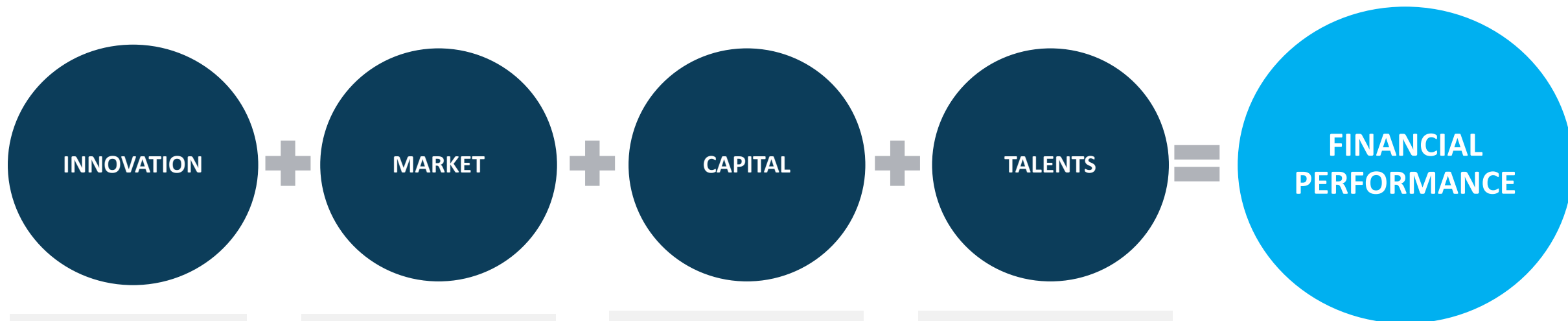
Integration

Avoid 'cherry picking', use materiality to guide engagement. Identify, assess and mitigate the **'trade-offs'** across goals

Leave no one Behind

Include the **underserved individuals and MSMEs** through value chain integration

GDI is a smart business opportunity for the private sector: Why?



In LAC, employees of companies committed to GDI are:

- [152%](#) more likely to propose new ideas
- [62%](#) more likely collaborate with other teams
- [66%](#) more likely to report their leaders promote innovation

- Women accounts for over 70% of consumer purchasing decisions, Afro Brazilians move around [BRL 1.7 trillion](#) per year and LGBTQI+ community yearly moves [USD 253 billion](#) in LAC.
- Diverse companies are: [45%](#) more likely to report that they have captured a larger share of the market, and [70%](#) more likely to have entered a new market.

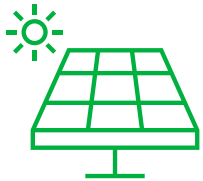
There is growing interest among investors and financial institutions for financial assets with a gender and diversity lens. In addition to the possibility of improving the risk profile of portfolios, there is growing global evidence of the positive correlation between diversity, financial results, and investor returns.

[IDB Invest, 2019](#)

- In LAC, companies that embrace diversity are up to [1.5 times](#) more likely to have happier employees at all functions and levels of the organization.
- Diversity companies' employees are [55% more](#) likely to want to stay in the organization longer than their peers at other companies.

Climate Change Is the Greatest Market Failure the World Has Seen¹

Meeting the objectives of the Paris Agreement for both mitigation and adaptation requires a large-scale transformation of economic activities.



Decarbonize Electricity

> 95% low carbon electricity production by 2050²



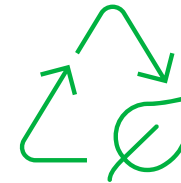
Electrify

> 70% electric vehicles by 2050²



Enhance Carbon Sinks

> 50% of GHG emission in LAC derive from land use change (deforestation, and agriculture)³



Improve Efficiency

-80% carbon intensity of the building sector by 2050²

- > Absorptive capacity
- > Restorative capacity

Increase resiliency of our projects

Increase resiliency through our projects

B.

Value Propositions:
Translating trends
into product offerings



/ INVESTING IN REVERSING /

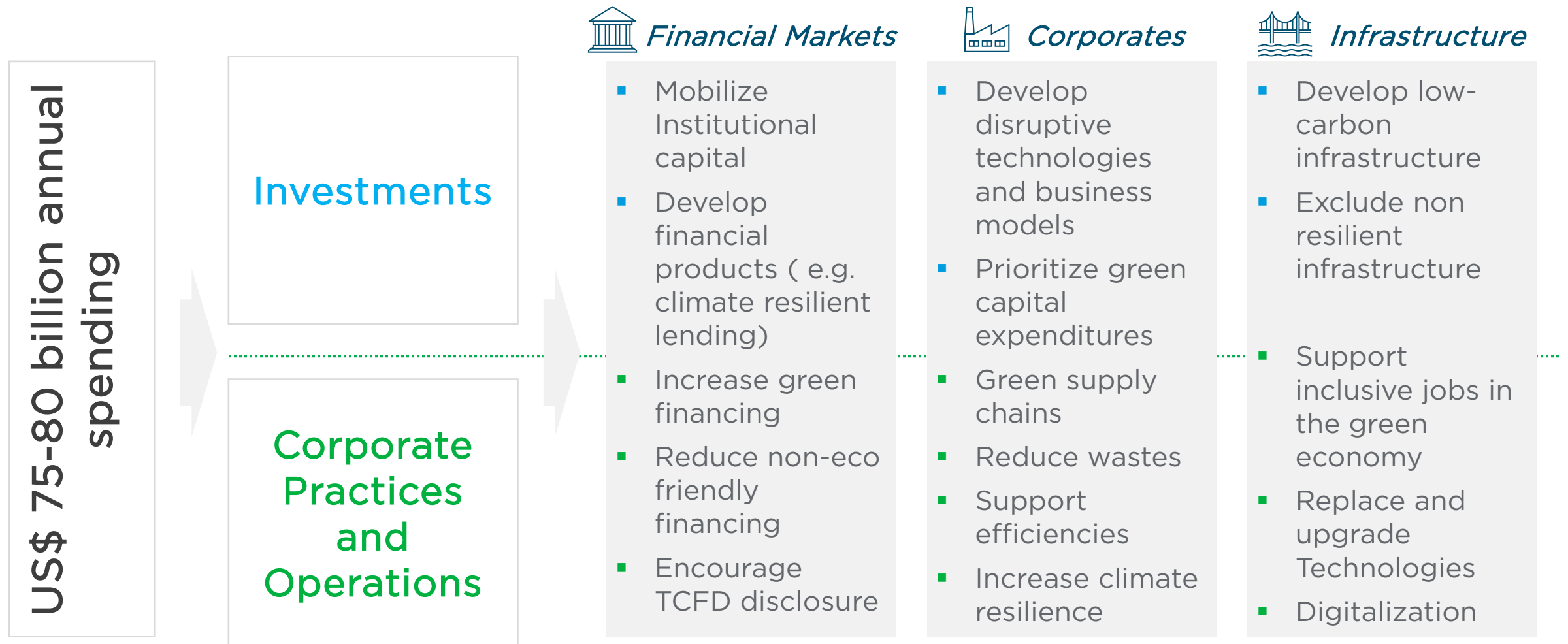
Sustainable finance strategies against climate change

STRATEGY	SOLUTIONS
1. PROMOTE A SUSTAINABLE FINANCIAL SECTOR	<ul style="list-style-type: none"> △ Green Lines △ Thematic Bonds △ Influence on demand
2. CATALYZE RESOURCES FOR SUSTAINABLE PROJECTS	<ul style="list-style-type: none"> △ B-Bonds △ Total Credit Guarantee △ Blended finance
3. INCORPORATE RESILIENCE FOR INTELLIGENT INVESTMENT	<ul style="list-style-type: none"> △ Sustainable agriculture △ Climate modeling optimization △ Sustainable value chains



Mobilizing the Private Sector Towards the Green Economy

For the private sector to contribute to the objective of the Paris Agreement it must shift its investments, corporate practices and operations.



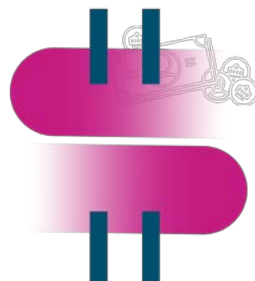
Linking Financial and Non-Financial Products into a Single Value Proposition

Advisory services is part of the integrated value proposition to clients

INVESTMENT



ADVICE

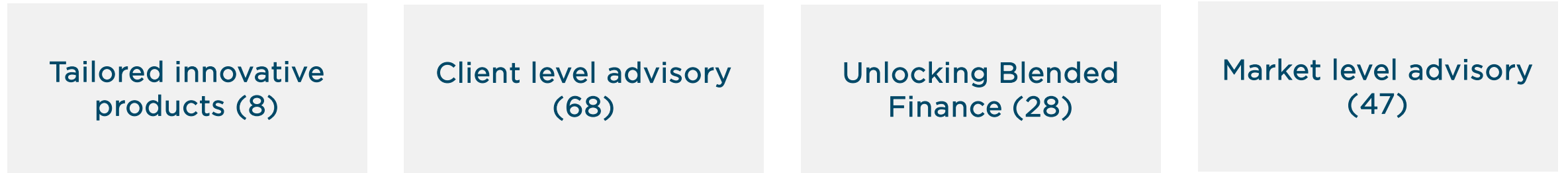


The IDB Invest translates international trends and offers **Advisory Services** to:

- Support clients by improving existing transactions (Barbados Ports, Cargo X, Nicaragua Sugar)
- Identify sustainable solutions to grow clients' business (Genesis Empresarial, Cabify, Naturasol)
- Allow clients to surface new investment opportunities (La Favorita, American Industrial Park)
- Create a positive influence in our markets (Banco Pichincha, Engie, Procaps)

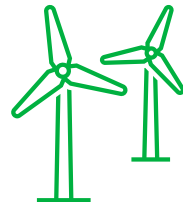
IDB Invest's Role Goes Beyond the Provision of Financing towards Impacts

The end game for Climate Team is to support the private sector to contribute to sustainable markets transformation.



25%

International resources for climate in the region



\$4.6

billion borrowed

\$4.5

billion mobilized

\$2.5

billion disbursed



500

Million tons of CO2e expected to be mitigated

Annex

Infrastructure Value Added

At IDB INVEST, we promote an integrated approach to infrastructure development to incentivize market entry and promote sustainability.

INFRASTRUCTURE SECTOR



- Social infrastructure
- Water and Sanitation
- Transport
- Energy

FINANCING OPTIONS

- Project Finance
- Corporate Loans
- Guarantees
- Bridge Financing
- Mini-perms
- Subordinates/mezzanine debt
- Equity
- Blended Finance
- Capital Markets Issuances
- Local Currency
- Supply Chain Financing

ADVISORY SERVICES

- Low carbon alliterative diagnostics
- Monetization of GHG emissions reductions
- Decarbonization strategies
- Decision Making Optimization models for equipment acquisition (social infrastructure)
- Modeling climate impacts on infrastructure and assessing resiliency measures
- Sustainable Infrastructure Labels (GTL, Green Bonds, Blue Bonds)

Financial Institutions Value Added

IDB INVEST deploys innovative financial products tailored to meet our clients' needs and generate smarter, more sustainable businesses in Latin America and the Caribbean.

FINANCIAL INSTITUTIONS (FI)



- Banks
- Private Funds
- Specialized Financial Institutions
- Leasing & Factoring companies
- Cooperatives
- Microfinance Institutions

FINANCING OPTIONS

- Seniors Loans
- Subordinated Loans
- Syndicated and co-loans
- Partial Credit Guarantees
- Risk-sharing Guarantees
- Quasi-Equity
- Equity
- TFFP

ADVISORY SERVICES

- Technical Assistance to create Green Products (taxonomy development appraisal, market study, internal process assessment, technology report, and CAFI adoption)
- Knowledge Transfer (Workshops for IF's clients, for IF's staff, Business Forum, case studies, etc.)
- Technical Advice for FI's on International trends and develop Roadmaps (TCFD, NGFS, Paris Alignment, Climate risks methods)
- Support issuance of Thematic Bonds

Corporates Value Added

IDB INVEST deploys innovative financial products tailored to meet our clients' needs and generate smarter, more sustainable businesses in Latin America and the Caribbean.

CORPORATE INDUSTRIES (SMC)



TMT



Agribusiness



Tourism



Tourism

FINANCING OPTIONS

- Corporate Loans
- Guarantees
- Subordinates/mezzanine debt
- Equity
- Blended Finance
- Capital Markets Issuances
- Local Currency
- Supply Chain Financing

ADVISORY SERVICES

- Energy Efficiency diagnostics including RE self supply
- Regulatory analysis for Self Supply adoption
- Decision Making Optimization models for equipment acquisition
- Decarbonization and Carbon neutrality strategies
- Modeling climate impacts on business models and identification of solutions
- Sustainable Labels (Green Bonds, Blue Bonds)
- Resource efficiency assessments
- Assessment and design of disruptive and regenerative business models