

Environmental and Social Review Summary (“ESRS”)

Deva Capital – Deva EM Credit Recovery Fund / 13762-01 – Regional

Original language of the document: English

Issuance date: July 2024

- 1. Scope of Environmental and Social Review.** The Environmental and Social (E&S) assessment of the proposed transaction consisted in reviewing documentation such as Know Your Client (“KYC”) forms, Fund’s indicative pipeline, and several conversations with Deva’s management team. Even though Deva is a new client for IDB Invest, the Sponsor’s team has experience working with other Development Finance Institutions (“DFIs”). The Environmental and Social Action Plan (“ESAP”) has been reviewed and discussed with the European Bank of Reconstruction and Development, a Multilateral Development Bank, assessing to participation in the Fund.
- 2. Environmental and Social Categorization and Rationale.** The investments to be supported by the Fund will be used to purchase Non-Performing Loan (“NPL”) Portfolios with low to medium E&S risks. Portfolio acquisitions will target Small and Medium-Sized Enterprises (“SMEs”), mortgages and individual loans. Therefore, per IDB Invest E&S Sustainability Policy, the project has been categorized as FI-2 (medium risk).

Deva Capital, Sponsor of the Fund, defines SMEs as those enterprises with up to 300 employees, US\$15 million in total assets and/or total annual sales of up to US\$15 million. Investments in Latin America and the Caribbean (“LAC”) are expected to be made by acquiring NPL portfolios, averaging US\$15 million – US\$40 million per investment. The Fund will be sector agnostic.

Category A sub-projects, per IDB Invest’s definition, will be excluded and are not a consideration for sub-investment.

The project is considered Paris Agreement aligned based on an analysis conducted following the IDB Group Paris Alignment Implementation Approach.

- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this project are associated with Fund’s capacity to identify and manage the E&S risks related with its investment activities. The potential risks associated with its main investment activities may include Servicer’s debt collection processes, evictions of vulnerable groups, and compliance with respective local legislation.

The Fund will be consistent with Santander Group’s E&S policies and will be adapted to manage E&S risks of the Fund’s portfolio. The Fund’s goal is to develop a framework to identify, manage and mitigate E&S risk including labor and working conditions, safety and security, community health, cultural heritage, indigenous people and resource efficiency and pollution.

The Fund has a screening questionnaire as part of its KYC policies, to assess counterparties, investors, Servicers, sellers, and portfolio. The latter includes a list of basic excluded activities. Compliance with local regulation around E&S matters is part of the legal due diligence process and servicing agreements with local servicers.

- 4. Mitigation Measures.** The Fund will be required to ensure that all investments supported comply with IDB Invest’s Exclusion List, applicable E&S local laws, and good industry practices.¹ To this end, the Fund will develop an Environmental and Social Management System (“ESMS”) and designate

¹ Communication routines, Truthfulness in communication, avoidance of harassment/coercion, eviction, etc.

personnel responsible for its implementation. The process of NPL portfolio acquisition might involve limited information and leverage of the Fund to require improvements in E&S performance. Thus, the ESMS will need to account for E&S risk in a limiting information/leverage scenario and provide guidance to make go or no-go decisions for each investment.

To enable the Fund to better understand IDB Invest requirements, its personnel of E&S risk assessment, mitigation and monitoring will be required to attend the IDB Invest’s ESMS training workshop for financial intermediaries or equivalent.

5. Environmental and Social Action Plan (“ESAP”):

ITEM	TASK	ACTIVITY	DELIVERABLE	COMPLETION DATE
1	Designate a person responsible for E&S matters	Designate a person responsible for E&S issues and ESMS implementation.	Letter of designation	Before disbursement
2	Development of an ESMS	Develop an ESMS including IDB Invest and EBRD exclusion list, following the guidelines of the IFC Performance Standard ² EBRD PR (2,4,9) ³ , and industry best practices (collection methods, communication, etc.) to identify and mitigate social risks and establish Servicer requirements (i.e. code of conduct, institutional capacity to assess E&S risks). Including procedures to determine go or no-go decisions in a context with limited information and leverage.	ESMS	9 months after first disbursement
3	Review the first three Fund’s acquisitions	The Fund will provide detailed E&S due diligence reports of the first three acquisitions (before investment), for IDB Invest to (i) confirm E&S categorization and level of analysis undertaken; and (ii) review ESMS implementation of best practices.	E&S due diligence reports for each acquisition	When available
4	Enhancement of skills and training	Training Deva’s personnel on the implementation of the Fund’s ESMS. Ensuring that all new personnel responsible for implementing of the ESMS receive in-house training on the System.	List of training attendees and materials shared	6 months after first disbursement Once a year, each time new personnel are incorporated into any position involved in risk management. To be reported in the Annual Monitoring Report.
5	Internal Grievance Mechanism	Develop an internal grievance mechanism in accordance with IFC Performance Standard 2 and EBRD PR 2.	Grievance Mechanism	9 months after first disbursement
6	External Communication Mechanism	A procedure that includes methods to receive, register, screen and assess, track, respond to and act upon external inquires and complains from the public regarding the Fund’s acquisitions.	External Communication Mechanism	6 months after first 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.

² [Guidance Note on Financial Intermediaries \(ifc.org\)](#).

³ [European Bank for Reconstruction Development - How to implement our performance requirements](#).