

Environmental and Social Review Summary (“ESRS”)

Aqua Capital Fund III / 13854-01 – Regional

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1. Scope of Environmental and Social Review

The environmental and social (E&S) review of the proposed transaction was carried out in February 2022 through a desk review, and an assessment and analysis of the Fund’s E&S policies, procedures, and pipeline. Aqua Capital Fund is a new client to IDB Invest, though is considered sophisticated in its E&S management and in most all instances compliant with IDB Invest’s Sustainability Policy.

2. Environmental and Social Categorization and Rationale

The sub-projects to be supported will be equity and quasi-equity investments in innovating and sustainable businesses across the agribusiness and food value chain. The type of subsectors to be financed are: AgFintech, alternative proteins, health and wellness, food loss & waste, organic/biological inputs, ingredients, precision farming, omnichannel food & beverage distribution. The hold period will be in average of up to 12 years and the investment amount per company will be of up to US\$60 million. Their potential E&S risk is expected to be medium; therefore, per IDB Invest’s Sustainability Policy, the Fund has been categorized as FI-2. The Fund will not be allowed to finance Category A projects, as defined by IDB Invest.

3. Environmental and Social Risks and Impacts

The main E&S risks of this projects are associated with the Fund’s capacity to identify and manage the E&S risks associated with its lending activities. The potential risks associated with its main lending activities may include the following: greenhouse gas emissions, wastewater discharge, waste handling, use of “1a” (extremely hazardous) or “1b” (highly hazardous) pesticides, impacts on biodiversity, community relations, labor relations and provision of adequate working conditions, operational health and safety programs, and supply chain sustainability.

4. Mitigation Measures

Aqua Capital Fund has in place an Environmental and Social Management System (ESMS) to identify, prevent, mitigate, and monitor the environmental, social and governance (ESG) impacts and risks of its portfolio as well as promoting positive impacts (+I). Its system includes an ESG+I policy, adequate procedures for due diligence, monitoring, supervision, and reporting, all aligned with international benchmarks such as: IFC Performance Standards, Principles for Responsible Investment, ILO and UN Guiding Principles on Business & Human Rights. The Fund compiles from portfolio companies on a biannual basis 34 E&S indicators compatible with the IRIS+ and the Global Reporting Initiative (GRI) standard methodologies and reports to LPs and the Fund’s LP Advisory Committees. Additionally, the Fund has an ESG+I monitoring tool applicable to all

companies assessing 10 ESG topics addressing compliance, risk and positive impacts. UN SDGs are also tracked for each of the Fund’s portfolio companies on an annual basis.

The Fund has dedicated resources and a qualified team trained to manage E&S risks and impacts and hires external consultants when expertise or support is required. Additionally, a diversity and inclusion working group shares ideas and best practices to improve the Fund’s approach to these topics.

The Aqua Capital Fund is the most awarded private equity firm by the Association for Private Capital Investment in Latin America (LAVCA) for its ESG approach and is partnering with the Black Jaguar Foundation leading one of the main reforestation programs in the world.

All portfolio companies compile energy consumption and CO₂ emissions indicators and report them annually to the Fund using the GHG Protocol Tool from the World Resources Institute.

The Fund became a member of the 2X Challenge Financing for Women initiative to promote gender-lens investing and more than half of the Fund’s companies are in line with the new goal of female representativity on Board of Directors (WOB). The Fund also has a Diversity Intern Program focused on inclusion and racial equality, providing a diverse talent acquisition process.

Aqua Capital Fund has in place a Compliance and Conduct Manual for its employees. The Fund will be required to develop and implement an Internal Grievance Mechanism. For the protection of its staff and the staff of its portfolio companies, the Fund developed a COVID-19 Operational Protocol with safety measures to mitigate the coronavirus transmission in the workplace during the resumption of work activities.

Aqua Capital Fund will be required to ensure that all equity and quasi equity loans supported comply with IDB Invest’s Exclusion List, applicable E&S local laws, and the IDB Invest Environmental and Social Guidelines including the IFC Performance Standards.

IDB Invest requires that its FI clients develop and implement an External Communication Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.

5. Environmental and Social Action Plan

Activity	Description	Compliance indicator	Compliance date
Due Diligence	Provide detailed E&S due diligence reports of the first three transactions (prior investment), for IDB Invest to: (i) confirm E&S categorization and level of analysis undertaken, and (ii) review the proposed action plans, if any.	E&S due diligence reports and action plans	When available.

External Grievance Mechanism	Develop and implement an External Grievance Mechanism to review inquiries or complaints from any interested party regarding the E&S risks and impacts of their operations.	External Grievance Mechanism	One (1) month from first disbursement
Human Resources	Develop and implement an Internal Grievance Mechanism	Internal Grievance Mechanism	One (1) month from first disbursement
Compliance report	Submit an Environmental and Social Compliance Report included in the agreement's environmental Annex.	Environmental and Social Compliance Report	Annual

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 requestinformation@idbinvest.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.