

## Environmental and Social Review Summary (“ESRS”)

### LAAD: Promoting Food Security Mainly Through SMEs in LAC /14953-01 (Regional)

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- 1. Overview of Scope of IDB Invest E&S Review.** The environmental and social review of the proposed transaction was carried out through desk research, and phone calls with the client. LAAD is a repeat client of IDB Invest which finances and develops private agribusiness projects in LAC. LAAD has a proven track record in environmental and social (“E&S”) management and capacity as detailed below.
- 2. Environmental and Social Categorization and Rationale.** The proposed operation is classified as an FI-2 according to the IDB Invest Sustainability Policy. The proceeds of the Loan will be used to finance SMEs in Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, and Uruguay, that promote food security in LAC. The Project will not support category A sub-projects or investments involving Orange Category Sub-Projects, or soy, cattle and palm oil sectors. The sub-project size will be of up to US\$3 million with a tenor of up to seven years.  
The transaction is considered Paris Agreement aligned based on the analysis conducted under the IDB Group Paris Alignment Implementation Approach. The analysis considered LAAD’s commitment and procedures to analyze climate risk in its portfolio.
- 3. Environmental and Social Risks and Impacts:** The primary E&S risks of the proposed project relate to LAAD’s ability to assess and manage risks associated with its pipeline of sub-projects in forestry, animal protein, and banana production primarily. Potential impacts include occupational health and safety risks tied to animal welfare, as well as agricultural practices that may expose workers to agrochemicals. Additionally, there are biodiversity concerns related to land conversion, habitat fragmentation, and resource efficiency. LAAD’s capacity and management systems, in this respect, are adequate. The potential environmental, social, health and safety risks associated with LAAD’s main financing activities are likely to be moderate given the sectors, project locations, and surrounding environment. While the specific impacts with individual investments are unknown at the time of funding, risks may relate to: (i) on-farm working conditions and prevention of harmful or exploitative forms of child labor; (ii) occupational health and safety on farmer fields, appropriate use of Personal Protective Equipment (“PPE”); (iii) on-farm agrochemical hazards, World Health Organization (“WHO”) banned pesticides; and capacity building in Integrated Pest and Disease Management (“IPDM”); (iv) on-farm land use change/deforestation, including conversion of natural / critical habitats and biodiversity risk of investments in proximity to sensitive geographical areas (i.e. Amazonia, Chaco, Cerrado, etc.); and (v) supply chain (issue of concern in certain geographical areas and sectors in LAC; (vi) subproject use of ozone depleting substances (chemicals, refrigerants, etc.) and compliance with the Montreal Protocol. Mitigation measures for these impacts are described below and being incorporated into the Environmental and Social Action Plan (“ESAP”).
- 4. Mitigation Measures:** LAAD has a strong commitment and demonstrated capacity to environmental and social management, which is consistent with the requirements defined in IDB Invest’s Sustainability Policy. LAAD is aligned to IFC Performance Standard (“PS”) 2 on labor issues

as has human resources policies, an internal grievance mechanism and a code of conduct that is consistent with IDB Invest’s requirements.

LAAD has developed and implemented an Environmental and Social Management System (“ESMS”) operated by an experienced E&S team. This system includes screening procedures aligned with IDB Invest's Exclusion List, ensures compliance with applicable E&S local laws, and the IDB Invest E&S Guidelines including the IFC PS. In addition, it identifies E&S risks through site visits, questionnaires, categorization, E&S Impact Assessment (“EIA”) and Geographic Information Systems (“GIS”) analysis, and the design of potential environmental management plans. LAAD monitors its clients through annual follow-up visits by its staff, and for deforestation risk cases, uses remote sensing satellite imagery. The ESMS provides tools, procedures, and data for aggregated E&S reporting. Training on E&S risk assessment has been conducted for country staff. LAAD will also continue to support its clients in pursuing certifications to promote sustainable environmental and social practices within funded supply chains. The client will submit an annual E&S report, incorporate climate risk mitigation into the ESMS. An external grievance mechanism is accessible on LAAD’s website, which allows for the filing of any project-specific complaints / impacts.

**5. Environmental and Social Action Plan:**

Activity	Description	Deliverable	Delivery Date
<b>PS1: Assessment and Management of Environmental and Social Risks and Impacts</b>			
Enhancement of the Environmental and Social Management System	The ESMS should be updated to include:  Climate risk identification and management procedures related to both transition and physical climate risks.	Progress Report  Updated ESMS	6 months after the signature of the loan agreement  12 months after the signature of the loan agreement

**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](mailto: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](mailto:mecanismo@iadb.org) or [MICI@iadb.org](mailto:MICI@iadb.org), or calling +1(202) 623-3952.