

## Environmental and Social Review Summary (ESRS)

<b>Project Name:</b>	Regenera Ventures I
<b>Project Location:</b>	Mexico
<b>Executing Agency:</b>	Regenera Ventures
<b>Type of Operation:</b>	Equity
<b>ESRS Issuance Date:</b>	July, 2024

### 1. General Information of the Project and Scope of IDB Lab’s E&S Review

The project consists of an equity investment in Regenera Ventures I (the “Fund”), a fund that aims to foster climate innovation, drive sustainable development, and promote regenerative agricultural practices in Mexico. Managed by Regenera Ventures, an impact investment firm based in Mexico City, the Fund seeks to support rural companies transitioning to regenerative production and management practices that enhance biodiversity, restore ecosystems, and improve climate resilience.

The E&S review of the proposed transaction consisted of a desk review of the Fund’s draft Environmental and Social Management System (“ESMS”), its investment thesis and interviews with top management of the Fund Manager and pipeline discussion

The project consists of an equity investment in Dalus Capital Fund III (the “Fund”), a fund that aims to foster climate innovation and drive sustainable development in Latin America. The Fund focuses on investing in startups that leverage technology to address climate change, enhance inclusivity, and boost business productivity. Managed by Dalus Capital, a leading early-stage venture capital firm based in Mexico City and Monterrey, Mexico, the Fund seeks to support entrepreneurs who are building market-leading companies with a positive societal impact. Dalus Capital, founded in 2015, has a strong track record with investments in over 50 startups, including four unicorns. The Fund plans to allocate approximately one-third of its resources to climate innovation, targeting sectors such as circular economy, renewable energies, mobility, and ag tech. With a target fund size of US\$100 million, Dalus Capital Fund III aims to generate substantial financial returns while contributing to sustainable development goals in the region.

The environmental and social (“E&S”) review of the proposed transaction consisted of a desk review of the Fund’s investment thesis, as well as interviews with the top management of the Fund Manager and a pipeline discussion.

### 2. Environmental and Social Categorization and Rationale

The proposed transaction has been classified as FI-2 in accordance with IDB’s Environmental and Social Policy Framework (“ESPF”) as the associated portfolio is expected to have potential limited adverse E&S risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Regenera Ventures I aims to invest in up to 15 companies with initial ticket sizes ranging from US\$200,000 to US\$1.5 million, primarily focusing on companies that have demonstrated recurring sales and profitability. Category A (High Risk) sub-projects per IDB’s definition will be excluded from the transaction as well as those involving activities listed in IDB’s Exclusion List.

### 3. Environmental and Social Risks and Impacts

The Fund plans to invest in sectors such as agriculture, fishing, ecotourism, sustainable forestry, biotechnology, and financial inclusion for small producers. The key E&S risks associated with the Fund’s

investment sectors include risks associated with labor conditions (including potential child labor and forced labor), occupational health and safety of workers, and community impacts; potential for soil degradation, water resource depletion, pesticide use, overfishing risks, impacts on marine biodiversity, deforestation risks and biodiversity loss.

The Fund is in the process of developing an environmental and social management system (ESMS) to identify and manage the E&S risks of its portfolio and to establish and maintain an organizational structure that defines roles, responsibilities, and authority to implement the ESMS.

#### 4. Mitigation Measures

The Fund will be required to screen all transactions against the IDB exclusion list and to ensure that all investments i) comply with applicable E&S laws and regulations, and ii) are aligned with the Paris Agreement regarding climate mitigation and adaptation. For medium-risk transactions, environmental and social due diligence (ESDD) will be required to assess E&S risks and impacts against the applicable IDB Lab's Environmental and Social Performance Standards. The Fund will update and implement its ESMS in accordance with the environmental and social action plan (ESAP) detailed in section 5.

Furthermore, the Fund will be required to 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.

#### 5. Environmental and Social Action Plan (ESAP)

Item #	Reference	Action	Compliance Indicator/ Deliverable	Completion Date
1	ESMS	Update, with the support of an external consultant its ESMS to be aligned with IDB's Performance Standard #1. Require the application of the IFC PS in medium risk sub-investments. The ESMS will be developed in accordance with the IFC Interpretation Note for FIs <sup>1</sup> and account for appraisal, monitoring, and legal considerations.	i) Draft ESMS ii) Final ESMS	i) Three months after Initial Closing with IDB Lab  ii) Six months after Initial Closing with IDB Lab
2		Provide to IDB Lab the ESDD reports of the first five investments after Initial Closing with IDB Lab and prior to the Fund's investment committee meeting. IDB Lab will confirm categorization and review corresponding Action Plans.	ESDD Reports (including action plans)	When each of the five investments are generated, after the Initial Closing with IDB Lab.
3		Conduct E&S due diligence of higher risk Category B subprojects or those with potentially complex E&S components (i.e., biodiversity, social issues, etc.) through the support of external E&S consultants.	Terms of Reference for External Consultants	For every higher risk Category B sub-project
4	Organizational Capacity	Undertake with the support of a consultant a comprehensive training for its E&S and investment staff on the requirements of its ESMS, the implementation of the IDB Performance Standards (when applicable) and the various roles and responsibilities; ensure that all new personnel receive the same training.	Training certificates or records.	Eight months after Initial Closing with IDB Lab and every time new personnel are incorporated.
5	External Grievance Mechanism	Develop and implement an external grievance mechanism in accordance with the IDB Performance Standard 1 to register and process external complaints related to the Fund's investments.	External Grievance Mechanism	Three months after Initial Closing with IDB Lab

<sup>1</sup> <https://www.ifc.org/content/dam/ifc/doc/2023/202309-ifc-guidance-note-on-financial-intermediaries.pdf>