

## Environmental and Social Review Summary (ESRS)

<b>Project Name:</b>	AMAZON JOURNEY - Developing Innovative Bioeconomy Business in the Amazon
<b>Project Location:</b>	Brazil
<b>Executing Agency:</b>	Fundação CERTI
<b>Type of Operation:</b>	Non-reimbursable technical cooperation (NRTC)
<b>ESRS Issuance Date:</b>	August, 2024

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

The project aims to induce the birth of startups and strengthen the still fragile existing ones, thus originating a pipeline of qualified sustainable bioeconomy businesses in the Amazon Impact Innovation Ecosystem. The project is executed by Fundação CERTI ("Certi") and includes three main components: originating new startups, strengthening existing startups, and accelerating and investing in startups.

The Theory of Change is anchored in the hypothesis that innovation and entrepreneurship in bioeconomy, blending social, cultural, and economic growth with environmental sustainability, will conserve the Amazon Forest based on the development and competitiveness of sustainable forest value chains. This effort in the Amazonia ecoregion shall have a transformative opportunity to position the region as the primary catalyst for a low-carbon economy, contributing to climate change objectives.

The environmental and social ("E&S") review of the proposed transaction consisted of a desk review of Certi's E&S documents and an interview with Certi's top management.

### 2. Environmental and Social Categorization and Rationale

The proposed transaction has been classified as FI-2 per 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, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Certi will originate 70 new startups in bioeconomy through the development of the Sinapse of Bioeconomy program; strengthen 60 existing startups in the operational phase through the Sinergia Program; accelerate and invest in 10 Startups through the Sinergia Investment Program. It will include promoting at least 60% of businesses with women as founders and C-level, 30% Afro-descendants, and 10% Indigenous, adding value locally and connecting with global chains. Investments will focus on early-stage startups, with tickets suitable for this stage (pre-seed) of up to US\$ 200,000.

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 key E&S risks related to the Project derive from Certi's capacity to identify and manage E&S risks of the investments, which are expected to be of a low to medium nature. Risks include those related to land use change and deforestation, biodiversity loss, reduction and loss of ecosystem services, unsustainable use of natural resources, impacts to Indigenous peoples and local community's rights, pollution, supply chain, labor conditions, child labor, occupational health and safety, energy use, agricultural and other productivity activities in the forest biome, Greenhouse Gas emissions and climate change, liquid and solid waste management, handling of hazardous materials.

Certi states that it does not have an institutional-specific environmental and social management system (“ESMS”). It is indicated that Certi has a series of practices and instruments, within the Sinergia Inversiones program, to assess the suitability of financial and sustainability goals of businesses to be included in their portfolio under this investment. Certi proposes to use a four-phase methodology (Metodologia de Análise de Riscos Socioambientais) for screening subproject risks and impacts (Eligibility; Evaluation and Selection; Immersion - gap analysis with E&S and corporate business safeguards, E&S declaration of safeguards; Acceleration – ten selected start-ups are placed on a 4-month E&S training and monitoring to mitigate issues. Certi would not declare eligible a sub-project involving illegal activities, deforestation, or social risks, such as child labor.

Certi is required to upgrade its screening methodology to transition into developing and implementing an ESMS following best international practices <sup>(1)</sup>, and aligned with IDB’s Performance Standard (“PS”) #1. The ESMS as a set of documented policies (ESMS cornerstone) and procedures/programs (action plans) followed routinely by trained and committed people, to continuously identify and manage the E&S risks of its portfolio. To ensure compliance with laws and regulations and evaluate long-term progress on environmental and social performance, Certi’s practice for monitoring and Review of E&S risks requires to be updated for effective follow-up once a financial agreement is signed with a selected business.

#### 4. Mitigation Measures

Certi is required to screen all transactions against the IDB exclusion list and to ensure that all investments comply with applicable E&S laws and regulations. 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. Certi will develop and implement its formalized ESMS following the environmental and social action plan (ESAP) detailed in section 5 of this ESRS document.

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

Item #	Reference	Action	Compliance Indicator/ Deliverable	Completion Date
1	ESMS	Develop and implement an ESMS aligned with IDB’s PS #1 and implement it across the entire investment portfolio. Require the application of the IDB PS in medium-risk sub-investments. The ESMS will be developed following 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 the Initial Closing with IDB Lab  ii) Six months after the Initial Closing with IDB Lab
2		Conduct E&S due diligence of <u>higher risk Category B subprojects</u> or those with potentially complex E&S components (i.e., biodiversity, social issues, etc.) with the support of a consultant experienced in applying IDB PS.	ESDD Reports	For higher-risk Category B sub-project
3	Organizational Capacity	Undertake comprehensive training for its E&S and investment staff on the requirements of its ESMS, the implementation of the IDB PS (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 is employed.
4	External Grievance Mechanism (EGM)	Update and disseminate the E&S external grievance mechanism following the IDB PS 1 to register and process external complaints related to Certi’s investments. The EGM must be publicized for external communications with general stakeholders (communities, Indigenous Peoples, and other stakeholders), to accept and act upon their potential grievances, including anonymous complaints.	External Grievance Mechanism	Six months after the 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>