

## Environmental and Social Review Summary (ESRS)

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|----------------------------|-------------------|
| <b>Project Name:</b>       | Monashees XI      |
| <b>Project Number</b>      | RG-Q0132          |
| <b>Project Location:</b>   | Regional          |
| <b>Executing Agency:</b>   | Monashees Capital |
| <b>Type of Operation:</b>  | Equity            |
| <b>ESRS Issuance Date:</b> | June 2024         |

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

The project consists of an equity investment in Monashees XI (“Monashees” or the “Fund”), a fund that aims to foster innovation and drive sustainable development in Latin America. The Fund focuses on investing in startups that leverage technology to enhance inclusivity, improve essential services, and boost business productivity. Managed by Monashees Capital, a leading venture capital firm based in São Paulo and Mexico City, the Fund seeks to support entrepreneurs building market-leading companies with a positive societal impact.

Monashees XI plans to allocate significant resources to emerging technologies, particularly in sectors such as climate tech and artificial intelligence (AI). With a target fund size of US\$280 million, Monashees XI 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, interviews with the top management of the Fund Manager, a review of the Fund’s Environmental and Social Management System (ESMS”) 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. Monashees XI estimates to invest in up to 30 companies, with a ticket size ranging from US\$1 million to US\$10 million, primarily at seed and Series A stages, allowing for opportunistic Series B rounds, and up to 10 years of tenure. 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 will invest in equity and equity-like instruments in small-to-mid-sized platforms and projects throughout Latin America engaged in innovation, inclusivity, and business productivity. The key E&S risks related to the Project derive from the Fund’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 potential supply chain sustainability,

labor and working conditions, occupational health and safety of workers, air emissions, waste generation, handling of hazardous materials, and community impacts.

Monashees is an existing client, having developed and implemented an ESMS that includes policy, procedures, responsibilities, and tools for undertaking E&S risks management. Potential investments are screened against an exclusion list and categorized based on the expected E&S risks and impacts. ESG matters are overseen by an ESG Officer with the support and supervision of an ESG Committee. Investment officers and analysts are involved in the E&S risk screening and receive regular training.

Though external parties can submit their complaints electronically at the following link: <https://monashees.com/en/contact/>, it does not easily allow for anonymous complaints.

#### 4. Mitigation Measures

The key E&S risks related to the Project derive from the Fund's capacity to identify and manage E&S risks of the investments, which are expected to be of a low to medium nature and primarily related to labor and working conditions, including Occupational Health and Safety (OHS) risks.

As part of this transaction, the Fund will commit not to invest in companies that support greenhouse gas emissions-intensive models or go against nationally determined contributions and will update its ESMS accordingly. Furthermore, the Fund will enhance its due diligence to assess climate risks and opportunities, and E&S risks of medium-risk transactions against the IDB Performance Standards. It will also improve monitoring by requiring investees in medium-risk transactions to submit regular E&S performance reports, verifying compliance with E&S requirements, any fines or penalties, compliance reports from regulators, major E&S incidents, media attention, and any stakeholder complaints. Additionally, the Fund will update its External Grievance Mechanism (EGM) to allow anonymous complaints and enhance the ESMS Manual to describe the tools available for managing the EGM, the process for receiving and responding to complaints, and the monitoring (complaint log) required to track grievances.

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

| Item # | Reference                          | Action  | Compliance Indicator/Deliverable      | Completion Date   |
|--------|------------------------------------|---|---------------------------------------|---|
| 1      | ESMS                               | Update the ESMS Manual as stated in Section 4 of this ESRS. The ESMS will be updated in accordance with the IFC Interpretation Note for FIs <sup>1</sup> .  | Updated ESMS                          | Three months after Initial Closing with IDB Lab   |
| 2      |                                    | Provide to IDB Lab the draft 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      | External Grievance Mechanism (EGM) | Update the external grievance mechanism to allow for anonymous complaints. Update the ESMS Manual to describe the functioning of the EGM, including the process for receiving and responding to complaints and the tools for managing and monitoring grievances | 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>