

Reference framework for the issuance of a social bond with a gender focus

I. Introduction

July 2020

Davivienda (the Bank) is a regional player active in 6 countries (Colombia, Panama, Costa Rica, El Salvador, Honduras, and the USA). In Colombia, Davivienda serves over 12.34 million customers with a network of 672 branches and more than 2,600 ATMs.

Davivienda has over 48 years of experience operating in the Colombian market, offering a wide range of financial services to individuals, SMEs, and corporate clients. In the local market, the Bank leads the way in mortgage lending, with a special focus on social housing. Davivienda is now the second largest bank in the nation as measured by its loan portfolio (15.7% market share as of Mar/20).

As of March 2020, Davivienda recorded COP\$139.6 trillion in assets, COP\$109.4 trillion in gross loans and COP\$12.9 trillion in equity. The Bank received international investment grade ratings from Moody's (Baa3/Negative), S&P (BBB-/Negative), and Fitch (BBB-/Negative). Gross loans are divided as follows:

Table 1: Segmentation of Davivienda's consolidated portfolio as of March 2020

Segment	Current balance (COP Trillion)	% of total loan portfolio
Commercial	53.4	49%
Consumer	31.2	28%
Mortgage	24.8	23%
TOTAL	109.4	100.0%

- Within the commercial portfolio, the SME segment is a cornerstone of the Bank's sustainability strategy and currently ranks third in the country in terms of market share, with a clear objective of expanding over the next two years. Davivienda offers its customers a wide range of products across all fronts: transactional, deposits, loans, and digital. SME customers are defined as individuals and legal entities with annual sales below COP\$20 billion. A gender perspective is an important component of the SME strategy, and therefore we will work on approaches aimed at serving these markets in greater detail.
- Likewise, financing social housing is strategic for the Bank. Davivienda leads the way in the financial sector in social mortgage loan disbursements, with a 31.7% stake as of December 2019. As for the breakdown of the social housing portfolio, Davivienda has enabled 86,848 women, accounting for 51% of the entire segment's portfolio, to fulfill their dream of owning their own home. In addition, 86% of the social housing portfolio consists of women as the only applicants for financing (Social Housing for Women).

The portfolio of social housing for women who are single-applicants is broken down into three sub-segments: (i) Income ranging between 1 and 2 Current Legal Minimum Monthly Salaries (SMMLV), accounting for 34.4% of the entire balance of the Social Housing for Women portfolio; (ii) Income ranging between 2-3 Current Legal Minimum Monthly Salaries (SMMLV), accounting for 43.6% of the entire balance of the Social Housing for Women portfolio; and (iii) Income exceeding 4 Current Legal Minimum Monthly Salaries (SMLMV), accounting for 22% of the entire balance of the Social Housing for Women portfolio. The first two sub-segments are the largest in terms of balances and disbursements.

- Davivienda aims to develop innovative and sustainable value offerings for its customers through its Management Model. Its programs and projects are driven by shared value, leveraging its business model to address social and environmental issues. Thus, the Bank has been included in the Dow Jones Sustainability Global Index (DJSI) for the past six years, following an assessment of its sustainability performance. In addition, as part of this commitment, Grupo Bolívar, our holding company, is aligned with the Sustainable Development Goals (SDGs).

In accordance with the Environmental Policy, the Environmental and Social Risk Management System (SARAS) is part of Davivienda's risk management framework, allowing Davivienda to identify, assess, control and monitor environmental and social risks associated with the projects and activities it finances. In addition, it sets forth policies with respect to amounts, terms, sensitive activities and local regulations. The methodology follows IFC guidelines, performance standards, and the exclusion list, and it approaches climate change and human rights as cross-cutting issues.

<https://sostenibilidad.davivienda.com/>

The net proceeds of the Bond will be used to finance, in whole or in part, eligible loans originated as of the placement date of the Bond. To be eligible to access funds from the Social Bond with a gender focus, activities to be funded must fall into at least one of the following categories:

- Small and medium-sized enterprises (SMEs) led by women; or
- Mortgage loans (Social Housing) granted to women. Women as the sole applicant.

IDB Invest will support Davivienda in the issuance of this bond by underwriting 100% of the amount issued. The transaction is being structured based on the credit, environmental, social and corporate governance due diligence procedures applied by IDB Invest pursuant to its operating policies. Furthermore, during the implementation stage, IDB Invest will monitor the results achieved on an annual basis in accordance with its Development Effectiveness Framework (Annex II).

Projects funded with resources derived from this Bond will be aligned with the institution's strategy, the SDGs and the Social Bond Principles (SBP) and its four guidelines: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; and (iv) reporting. This document will be used as a reference framework for the issuance of the Bond and will be submitted for a Second Party Opinion. Both the Framework Document and the Opinion will be published by the Bank on its website.

II. Use of proceeds

a) Target Portfolios

In accordance with the guidelines of the Social Bond Principles, the proceeds of the Social Bond issue with a gender focus will be used to fund the bank's social portfolio in the following segments: (i) Women-led SMEs; and (ii) mortgage loans granted for the purchase or remodeling of a main dwelling in the social housing segment, in which the only borrower is a woman.

Women-led SMEs:

SMEs are defined as individuals with an economic activity or legal entities with annual sales up to COP 20,000 million. For this sector, the proceeds of the Social Bond will be used to provide new financing for working capital, inventory purchases or capital and fixed asset investments. Within this segment, SMEs that meet the following eligibility criteria will be deemed as women-led SMEs:

- At least 51% of the voting and equity ownership is held by women; and
- Its main legal representative is a woman.

Mortgage loans for social housing owned by women

For this sector, the proceeds of the Social Bond will be used to grant mortgage loans for the acquisition of new or used homes that meet the following eligibility criteria:

- The only debtor and owner of the property is a woman;
- The home to be financed will be the main dwelling of the borrower;
- The property complies with regulatory requirements to ensure its habitability, quality standards in urban design, architecture and construction.
- The population eligible for this type of housing earns a monthly income of less than 8 Current Monthly Minimum Salaries (SMMLV). The maximum value of properties to be financed under this scheme is 150 Current Monthly Minimum Salaries (SMMLV).¹

¹ As of 2020, the Current Monthly Minimum Legal Salary is COP\$877,803, approximately US\$255

The proceeds of the bond will be allocated to new financings within a maximum of two years from the issuance of the bond. The bond will serve as a financial instrument to increase access to financing for the target segments typically underserved by local banks.

Davivienda established a clear strategy to grow its SME portfolio, not only relative to its overall portfolio but also relative to the rest of the financial system, based on the following items: (i) training and coaching sales representatives to serve this segment more effectively and more closely; (ii) simpler and more efficient processes, assigning a pivotal role to digital channels and alternatives; (iii) adequate products to meet the customer's needs; and (iv) supporting customers with a range of non-financial services that provide an added value that differentiates us from other financial offerings. Some of the sectors identified as strategic to leverage the strategy are: agriculture, land, education, co-ownership, tourism, transportation and trade.

For the women-owned SME segment specifically, the bank intends to expand its client base by offering a comprehensive value proposition under development within the bank, with technical assistance from IDB Invest. Davivienda has a robust female customer base in deposit products, which serves as the starting point for implementing the women's banking strategy across all of the bank's business segments.

Home financing is a strategic focus for Davivienda. Moreover, social housing offers Davivienda a clear roadmap to continue consolidating its leadership and increasing its market share in the financial system, based on the following strategic components: (i) continue to work closely with the National Government to increase access to housing solutions through benefits and interest rate subsidies available through programs such as "Mi Casa Ya" (My House Now); (ii) simplify housing finance-related processes to ease access to housing finance (iii) build and deploy a digital solution that enables customers to purchase their own home through an end-to-end digital process with features such as property search, loan and collateral approval, digital uploading of documents and process tracking.

As for the segment of social housing for women, in line with Davivienda's women's banking strategy, we intend to finance housing for more women and design a home-buying experience capable of delivering added value to adequately meet the needs of this segment.

b) General Criteria




All financed projects must comply with applicable national environmental, social, occupational health and safety regulations. Additionally, projects that meet one or more of the following criteria will not be able to use resources derived from the Social Bond:




- Clients or projects classified as Category A, based on environmental and social categorization as defined by IDB Invest's Environmental and Social Sustainability Policy. These operations carry significant adverse environmental or social risks that are potentially irreversible, with terms exceeding 36 months and costs above 10 million USD.
- Projects in High Risk Industries (Appendix I)
- IDB Invest Exclusion List (Appendix I)

c) Alignment with the Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development sets out 17 global goals with 169 targets intended to promote sustainable development: economic, environmental and social, with a focus on equity and inclusion. The projects financed with the proceeds of the Social Bond will make a significant contribution to the development of the most vulnerable populations and are aligned with the SDGs depicted in Table 2. In addition, Table 2 shows the relevant categories of the Social Bond Principles and the indicators to be used for monitoring and evaluation of alignment with the SDGs.

Table 2: Contribution to SDGs

CATEGORIES SOCIAL BOND PRINCIPLES	SUSTAINABLE DEVELOPMENT GOALS	SDG GOALS	INDICATORS
(i) Affordable housing (ii) access to essential services through access to financing for social housing loans granted to women		1.4 By 2030, ensure that all men and women, particularly the poor and vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control of land and other assets, inheritance, natural resources, appropriate new technologies and financial services, including microfinance.	Number of outstanding social housing loans to women at the end of the reporting period.
Socio-economic advancement and empowerment of women through access to financing for women-led SMEs and social housing loans granted to women		5.5. Ensure the full and effective participation of women and equal leadership opportunities 5. a Access to property and financial services by women	Amount or number of outstanding loans to women-led SMEs at the end of the reporting period. Number of outstanding social housing loans to women at the end of the reporting period
(i) Access to essential services, and (ii) Affordable housing through access to financing for women-led SMEs and social housing granted to women		8.3. Promote the creation of decent jobs, and foster the growth of micro, small and medium-sized enterprises, including through access to financial services.	Amount or number of outstanding loans to women-led SMEs at the end of the reporting period.
		8.10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	Number of outstanding social housing loans to women at the end of the reporting period

Access to essential services through access to financing for women-led SMEs		9.3 Increase access by small industries and other businesses to financial services, including affordable credit and their integration into value chains and markets	Amount or number of outstanding loans to women-led SMEs at the end of the reporting period.
Socio-economic advancement and empowerment of women through access to financing for women-led SMEs and social housing loans granted to women		10.2 By 2030, to empower and promote the social, economic and political inclusion of all people, regardless of their age, sex, disability, race, ethnicity, origin, religion or economic situation or other condition.	Amount or number of outstanding loans to women-led SMEs at the end of the reporting period. Number of outstanding social housing loans to women at the end of the reporting period
(i) Affordable housing, and (ii) access to essential services through access to financing for social housing loans granted to women		11.1 By 2030, to ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums	Number of outstanding social housing loans to women at the end of the reporting period

III. Process for evaluation and selection

The evaluation process for SME applications is comprised of the following stages: (i) Making sure that the sales staff understand the customers, the profiles and the value proposition; (ii) Structuring the business around customer needs; (iii) Financial evaluation performed by the credit department; (iv) Setting up collateral for the loan; (v) Request for disbursement of resources. Resources may be disbursed in several tranches according to the credit limit assigned to the client.

The evaluation and selection process of projects for the social housing segment is comprised of the following steps: (i) Financial evaluation: Our commercial advisors assess the payment capacity and creditworthiness of our clients to ensure compliance with housing regulations stipulated by the National Government. Throughout this process, additional financial information may be requested from the client; all information must be submitted to the Credit Evaluation Department; (ii) Collateral evaluation/appraisal certification: collateral information is sent to the Credit Evaluation Department by an appraiser authorized by the Bank. (iii) Based on the client's information and collateral, the Loan Evaluation Department endorses the financial approval of the loan. Once the client receives the loan approval letter, he/she signs the promissory note; (iv) Upon the execution of the promissory note, Davivienda appoints a lawyer to review the legal standing of the property and support the client in titling and registering the property; (v) The developer delivers the property to the client, and the Bank then disburses the loan and settles the obligation.

In addition, Davivienda will assemble a working group to monitor the placement of the social bond with a gender focus. The working group will be formed including the following departments: SME Segment Management, Housing Business Management, Sustainability and Public Relations Management and the Office of the VP of Credit Risk. The duties of the working group will be to evaluate client information and verify compliance with eligibility criteria, as well as to monitor indicators of eligible projects.

IV. Management of proceeds

Bond proceeds will be managed by the Office of the Vice President of Treasury of Davivienda and will be used to finance new loans that meet the eligibility criteria described above. Resources pending placement will be managed in accordance with Davivienda's liquidity portfolio, mainly held in public debt securities.

Davivienda will commission an external audit on an annual basis starting the year following the issuance of the Social Bond and until its maturity, a verification report on the allocation of funds from its social bond issues in accordance with the criteria and processes set forth in this framework.

Davivienda will replace those loans that, regardless of the reason, are no longer eligible under the criteria established herein, within two months after learning that they are no longer eligible.

The processes outlined above will be in place for the entire term of the Social Bond issued under this framework.

IV. Key Performance Indicators

To stimulate the growth of the women-owned SMEs portfolio, investors in the Social Bonds will offer Davivienda economic benefits tied to the following key performance indicator:

Year	2022	2023	2024	2025	2026
Number of loans to women-led SMEs as a percentage of the overall SME portfolio (%) ²	21%	22%	23%	25%	27%
Annual incentive - economic benefit tied to the indicator	US\$60,000	US\$60,000	US\$60,000	US\$60,000	US\$60,000

² Formula: (Total number of loans outstanding at the end of each year to women-owned SMEs / Total number of SME loans outstanding at the end of each year) x 100.

It is thus expected that by 2026, 27% of the number of SME loans will be granted to women-led SMEs. As part of the annual external audit, Davivienda will disclose to investors a progress report on the achievement of these goals from 2022 to 2026.

This key performance indicator will measure the Bond's contribution to close the US\$93 billion financing gap faced by women who own and lead small and medium-sized enterprises in Latin America and the Caribbean, and to reduce the number of unbanked women in Colombia (56% of the total number of unbanked adults). By stimulating the growth of the women-led SME portfolio, Davivienda serves a segment that has historically been neglected by financial institutions, but that offers a potential for growth in business volume. Furthermore, the results of this transaction can send a positive signal to the market, thereby possibly resulting in a multiplier effect.

I. Reporting

Davivienda will publish on its website the Second Party Opinion issued by Vigeo on the date of the bond issuance. This document is based on the evaluation and describes all the characteristics of the bonds in addition to the commitments made prior to the issuance.

Additionally, Davivienda will share with IDB Invest and publish on its website an annual report outlining the following:

- The use of proceeds derived from the issuance, up to the maturity date of the bond, broken down by loans granted to women-led SMEs and women-owned social housing;
- Results for the indicators listed in Table 3. These indicators are used for monitoring and they pertain to the categories of the Social Bond Principles (SBPs). The methodology used to calculate these indicators is also based on the SBPs (This chart includes indicators that relate to the Sustainable Development Goals, among others [Table 2]);
- The percentage of bond proceeds pending allocation to loans, as well as information on how such proceeds are managed and administered on a temporary basis until they are allocated;

Finally, as stated in *Section IV. Management of Resources*, Davivienda will engage an external auditor to perform an annual audit until the maturity date of the bond verifying: (i) that the allocation of the proceeds of social bond issues is administered in accordance with the provisions of this document, including eligibility criteria, and (ii) progress and fulfillment of Key Performance Indicators. This report will be shared with IDB Invest and published on Davivienda's website.

Table 3: Annual Report Indicators

CATEGORY OF ELIGIBLE PROJECTS	INDICATOR	DEFINITION	MEASUREMENT UNIT
Women-led SMEs ³	Amount of outstanding loans - Women-led SMEs	Total value of the Financial Intermediary's portfolio of outstanding loans to women-led small and medium enterprises at the end of the reporting period.	COP
	Number of outstanding loans - Women-led SMEs	Total number of outstanding loans in the Financial Intermediary's portfolio of loans to women-led small and medium enterprises at the end of the reporting period.	#
	Amount of loans disbursed - Women-led SMEs	Total value of loans disbursed by the Financial Intermediary to women-led small and medium enterprises during the reporting period.	COP
	Number of loans disbursed - Women-led SMEs	Total number of loans disbursed by the Financial Intermediary to women-led small and medium enterprises during the reporting period.	#
	Number of active clients - Women-led SMEs	Number of the Financial Intermediary's clients categorized as women-led small and medium enterprises with active loans at the end of the reporting period.	#
	Number of active clients - SMEs	Number of the Financial Intermediary's clients categorized as small and medium enterprise with active loans at the end of the reporting period.	#
	Number of clients with the increased annual sales - Women-led SMEs	Number of women-led SME clients in the Financial Intermediary's portfolio of outstanding loans, benefitted by at least one loan, that experienced an increase in sales during the reporting period. To report this indicator, annual sales during the current and the previous year should be collected for each client.	#
	Total number of loans to women-led SMEs as a percentage of the overall SME portfolio (%) (Key performance indicator)	Number of outstanding loans in the Financial Intermediary's portfolio of loans to women-led small and medium enterprises period as a percentage of the total number of loans to small and medium enterprises, at the end of the reporting.	%
Women-owned social housing ⁴	Amount of outstanding loans - Women-owned social housing	Total value of the Financial Intermediary's portfolio of outstanding loans to women-owned social housing projects at the end of the reporting period.	COP
	Number of outstanding loans - Women-owned social housing	Total number of outstanding loans in the Financial Intermediary's portfolio of loans to women-owned social housing projects at the end of the reporting period.	#
	Amount of loans disbursed - Women-owned social housing	Total value of loans disbursed by the Financial Intermediary to women-owned social housing projects during the reporting period.	COP
	Number of loans disbursed - Women-owned social housing	Total number of loans disbursed by the Financial Intermediary to women-owned social housing projects during the reporting period.	#

³ According to the criteria defined in section II- a) - Definition of projects eligible for women-led SMEs

⁴ According to the criteria defined in section II. a) - Definition of projects eligible for mortgage loans.

Appendix I

List of excluded activities

Neither the IDB nor IDB Invest provide financing for projects or companies involved in the production, trade or use of the products, substances or activities listed below.

1. Unlawful under the laws or regulations of the Receiving Country, or under international conventions and treaties ratified by the Receiving Country.
2. Weapons and ammunition.
3. Tobacco⁵
4. Gambling, casinos and analogous businesses⁶
5. Wild animals and plants or products derived therefrom regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)⁷
6. Radioactive materials⁸
7. Unbound asbestos fibers⁹
8. Forestry projects or operations that are not consistent with the Bank's Environmental and Safeguards Compliance Policy.¹⁰
9. Polychlorinated biphenyls (PCBs)
10. Pharmaceuticals subject to international phase outs or bans¹¹
11. Pesticides and herbicides subject to international phase outs or bans¹²
12. Ozone-depleting substances subject to international phase outs¹³
13. Fishing in the marine environment with trawl nets over 2.5 km in length
14. Movements of waste and waste products across borders¹⁴, excluding non-toxic waste destined for recycling.
15. Persistent Organic Pollutants¹⁵

⁵ Not applicable to sponsors that are not materially involved in these activities. "Not materially involved" means that the activity is ancillary to the sponsor's main operating activities.

⁶ Not applicable to sponsors that are not materially involved in these activities. "Not materially involved" means that the activity is ancillary to the sponsor's main operating activities.

⁷ www.cites.org.

⁸ Not applicable to the purchase of medical equipment, quality control (measurement) equipment or other equipment showing that the radioactive source is insignificant and/or adequately shielded.

⁹ Not applicable to the purchase and use of asbestos-bonded fiber cement sheets in which the asbestos content is <20%.

¹⁰ Document (GN-2208-20), the IDB Environment and Safeguards Compliance Policy dated August 19- 2006, approved by the IDB Board of Directors on that date.

¹¹ *Banned Products: Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or not Approved by Governments* (latest version 2008).

http://www.who.int/medicines/areas/quality_safety/safety_efficacy/who_emp_qsm2008.3.pdf

¹² Pesticides and herbicides subject to phase outs or ban included in the Rotterdam (www.pic.int) and Stockholm Conventions (www.pops.int).

¹³ Ozone-depleting substances are chemical compounds that react with and deplete stratospheric ozone, resulting in the widely reported "ozone holes". The Montreal Protocol lists these substances and their expected reduction and phase-out dates. The chemicals regulated by the Montreal Protocol include aerosols, refrigerants, foam blowing agents, solvents and fire extinguishing agents. (www.unep.org/ozone/montreal.shtml).

¹⁴ Defined by the Basel Convention (www.basel.int).

¹⁵ As defined by the International Convention on the Reduction and Elimination of Persistent Organic Pollutants (September 1999), which currently includes the pesticides aldrin, chlordane, dieldrin, endrin, heptachlor, mirex and toxaphene, as well as the industrial chemical chlorobenzenes (www.pops.int).

¹⁶ Non-compliance with the fundamental principles of workers' rights and labor rights.¹⁶

Projects in high-risk industries

According to IDB Invest, projects in high-risk industries are those that pose or appear to pose high risks or impacts. These include, but are not limited to, the following:

1. Large infrastructure projects¹⁷
2. Extractive projects¹⁸
3. Large hydroelectric projects
4. Projects with high greenhouse gas emission potential
5. Projects involving resettlement
6. Projects in sensitive areas (e.g. where there are human rights violations or environmental and social unrest).
7. Projects with a high impact on sensitive populations
8. Projects in or near protected areas or areas with a cultural or biodiversity value
9. Projects with high context risks (due to the external operating context, not the project itself - e.g. pre-existing conflicts, systemic discrimination, changing political environment, widely spread diseases, countries with a long history of human rights violations, among others).

Appendix II - Development Effectiveness Framework **IDB Invest development impact measurement framework**

IDB Invest assesses the transactions it finances using its own Development Impact Framework. This framework guides the selection of projects based on their potential to generate a positive impact in accordance with the country's needs, and in alignment with the priority business areas defined by IDB Invest, which include: I) Increase access to financing and technical assistance for MSMEs; ii) Promote infrastructure for development; iii) Support innovation and technological development; iv) Mejorar la provisión de bienes y servicios básicos por parte del sector privado, las oportunidades de generación de Improve the provision of basic goods and services by the private sector, income generation opportunities and social mobility for vulnerable populations.; and v) Promote green growth. Additionally, the IDB Invest

¹⁶ The Fundamental Principles and Rights at Work mean: (i) Freedom of association and the effective recognition of the right to collective bargaining; (ii) the prohibition of all forms of forced or compulsory labor; (iii) the prohibition of child labor, including, among others, the prohibition of persons under the age of 18 from working in hazardous conditions (including construction activities), performing night work, being declared fit for work on the basis of a medical examination; and (iv) the elimination of discrimination in the workplace, in which discrimination is defined as any different treatment, exclusion or preference based on race, color, sex, religion, political opinion, or national or social origin. (International Labor Organization, www.ilo.org).

¹⁷ For example: ocean ports, navigable internal routes, internal route ports that allow the passage of vessels over 1,350 tons; treatment plants for effluents; plants for chemical treatment or discharge of hazardous or toxic waste; construction of highways, expressways and long distance lines; among others.

¹⁸ For example: onshore and offshore oil and gas operations as well as crude oil refineries (excluding the manufacture of lubricants only) and the installation of gasification and liquefaction plants for 500 tons or more of coal or bituminous oil per day.

strategy seeks to have an impact on three intersecting issues: i) Gender and diversity; ii) Environmental and social sustainability; and iii) Favorable business environments.

These priorities outline the long-term strategy of IDB to support projects with the potential to address the main development challenges facing the Latin American and Caribbean (LAC) region.

IDB Invest follows a rigorous due diligence process that seeks to maximize the social, economic and environmental impact through the operations it supports, maintaining a risk mitigation strategy to promote long-term sustainability. As part of the due diligence process, IDB Invest analyzes the use of resources assigned to projects by applying its Development Effectiveness, Learning, Tracking and Assessment (DELTA) tool, to qualify the potential socioeconomic impact that such projects can generate. One part of the analysis is to define measurable and specific development objectives, monitored for achievement through a set of indicators defined as SMART (Specific, Measurable, Attainable, Relevant, and Time-Bound). This analysis includes a viable estimate of the expected benefits for the direct beneficiaries, as well as for the indirect beneficiaries of the project. Similarly, IDB Invest conducts an integrity review and legal and risk due diligence, ensuring compliance with the best corporate, social and environmental governance standards, as defined by IDB Invest internal policies and procedures.

Project monitoring and evaluation

All IDB Invest clients must provide updated annual information on the development indicators defined for each transaction, as well as evidence of compliance with environmental, social and corporate governance standards. IDB Invest monitors the degree of achievement of the defined objectives through an annual supervision exercise, during which the financial and development results achieved by clients and supported projects are reviewed. Additionally, all transactions are subject to a mid-term evaluation in which there is an evaluation of the effectiveness of each project in achieving the defined development objectives, drawing lessons learned throughout the project cycle.

BID Invest and the Sustainable Development Goals (SDG)

Among the main objectives of the IDB Group is to promote sustainable growth and social inclusion, reducing poverty and inequality. IDB Invest promotes the development of a sustainable private sector that contributes to the social, economic and environmental development of the LAC region. This mission is fully aligned with the United Nations 2030 Agenda for Sustainable Development, which defines a set of 17 global goals with 169 targets that seek to promote sustainable development (economic, social and environmental) in all sectors of the economy, with a specific focus on equity and inclusion.

IDB Invest is committed to contribute to this Sustainable 2030 Agenda by providing financial and non-financial support and integrating the SDGs into its impact measurement framework and management practices. In this way, IDB Invest helps its clients measure the impact of their operations and their contribution to the SDGs by measuring the potential impact on development and expected contribution to the SDGs through specific indicators to monitor and measure the impact achieved, during the project life cycle.